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CHURCH OF SCIENTOLOGY  
9 INTERNATIONAL

10  
11 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
12 FOR THE COUNTY OF MARIN

13 CHURCH OF SCIENTOLOGY ) CASE NO. BC 157680  
14 INTERNATIONAL, a California not-for-profit )  
religious corporation, ) REQUEST FOR JUDICIAL NOTICE  
15 ) IN SUPPORT OF PLAINTIFF'S  
16 ) NOTICE OF MOTION AND  
Plaintiff, ) MOTION FOR SUMMARY  
17 ) ADJUDICATION OF THE  
18 ) THIRTEENTH, SIXTEENTH,  
vs. ) SEVENTEENTH AND  
19 ) NINETEENTH CAUSES OF  
20 ) ACTION OF PLAINTIFF'S  
GERALD ARMSTRONG; DOES 1 through 25, ) SECOND AMENDED COMPLAINT  
inclusive, )  
21 )  
22 )  
Defendants. ) TRIAL DATE: May 18, 1995  
23 )

24 Plaintiff, Church of Scientology International requests that this Court take judicial  
25 notice of the following records of the Superior Court of the County of Los Angeles of the  
26 State of California, the Court of Appeal of the State of California Second Appellate District,  
27 the U.S. District Court for the Central District, State of California, the Circuit Court of  
28 Cook County, Illinois, the U.S. District Court for the Northern District of Illinois, the U.S.

1 District Court for the Southern District of New York, and the Supreme Court of England &  
2 Wales pursuant to Evidence Code Sections 452 and 453:

3 A. Second Amended Verified Complaint for Damages and for Preliminary and  
4 Permanent Injunctive Relief for Breach of Contract, filed on April 5, 1994 in the case of  
5 Church of Scientology International v. Gerald Armstrong, et al., Los Angeles Superior  
6 Court, Case No. BC 052395, a true and correct copy of which is attached hereto as Exhibit  
7 A;

8 B. Amended Answer of Gerald Armstrong and The Gerald Armstrong  
9 Corporation to Amended Complaint, filed on October 7, 1992, in the case of Church of  
10 Scientology International v. Gerald Armstrong, et al., Los Angeles Superior Court, Case No.  
11 BC 052395, a true and correct copy of which is attached hereto as Exhibit B;

12 C. Ruling of January 27, 1995 by Judge Gary W. Thomas re Motion for  
13 Summary Adjudication of Issues as to the Fourth and Sixth Causes of Action in Church of  
14 Scientology International v. Gerald Armstrong, et al., Marin County Superior Court, Case  
15 No. 157680 (Consolidated), a true and correct copy of which is attached hereto as Exhibit C;

16 D. Opinion of the Court of Appeal of the State of California Second Appellate  
17 District Division Four on May 16, 1994, entered in the case of Church of Scientology  
18 International v. Gerald Armstrong, Case No. B069450; a true and correct copy of which is  
19 attached hereto as Exhibit D;

20 E. Minute Order of August 16, 1994, re: Motion by Cross- Defendant, Church of  
21 Scientology International, for Summary Adjudication of the Second and Third Causes of  
22 Action of the Cross-Complaint, entered by the Honorable David A. Horowitz, Superior  
23 Court Judge, in the case of Church of Scientology International v. Gerald Armstrong, et al.,  
24 Los Angeles Superior Court, Case No. BC 052395, a true and correct copy of which is  
25 attached hereto as Exhibit E;

26 F. Complaint filed November 25, 1991 in Church of Scientology International v.  
27 Steven Fishman and Uwe Geertz, U.S. District Court, Central District of California, Case  
28

1 No. 91 6426 HLH(Tx), a true and correct copy of which is attached hereto as Exhibit O;

2

3 Dated: March 16, 1995

Respectfully Submitted,

4


Andrew H. Wilson  
WILSON, RYAN & CAMPILONGO

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MOXON & BARTILSON

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By:   
Laurie J. Bartilson

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Attorneys for Plaintiff  
Church of Scientology  
International

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14 CHURCH OF SCIENTOLOGY INTERNATIONAL  
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APR 05 1994

LOS ANGELES  
SUPERIOR COURT

16 SUPERIOR COURT OF THE STATE OF CALIFORNIA

17 FOR THE COUNTY OF LOS ANGELES

18 CHURCH OF SCIENTOLOGY	)	CASE NO. BC 052395
19 INTERNATIONAL, a California	)	
20 not-for-profit religious	)	VERIFIED SECOND AMENDED COMPLAINT
21 corporation;	)	FOR DAMAGES AND FOR PRELIMINARY
22	)	AND PERMANENT INJUNCTIVE RELIEF
23 Plaintiff,	)	FOR BREACH OF CONTRACT
24	)	
25 vs.	)	
26	)	
27	)	
28 GERALD ARMSTRONG; THE GERALD	)	
ARMSTRONG CORPORATION, a	)	
California corporation; DOES	)	
1-25 INCLUSIVE	)	
Defendants.	)	

21 Plaintiff, by its attorneys, Wilson, Ryan & Campilongo and  
22 Bowles & Moxon, for its Complaint, alleges:

23 NATURE OF THE ACTION

24 1. In violation of the express terms and spirit of a  
25 settlement agreement ("the Agreement") entered into in December,  
26 1986, defendant Gerald Armstrong ("Armstrong") has embarked on a  
27 deliberate campaign designed to aid plaintiff's litigation  
28 adversaries, breach the confidentiality provisions of the

1 Agreement, and foment litigation, hatred and ill-will toward  
2 plaintiff.

3       2. More than seven years ago, plaintiff Church of  
4 Scientology International ("CSI") entered into the Agreement with  
5 Armstrong, on its own behalf and for the benefit of numerous  
6 third-party beneficiaries. The Agreement provided for a mutual  
7 release and waiver of all claims arising out of a cross-complaint  
8 which defendant Armstrong had filed in the case of Church of  
9 Scientology of California v. Gerald Armstrong, Los Angeles  
10 Superior Court No. C 420153. Armstrong, a former Church member  
11 who sought, by both litigation and covert means, to disrupt the  
12 activities of his former faith, displayed through the years an  
13 intense and abiding hatred for the Church, and an eagerness to  
14 annoy and harass his former co-religionists by spreading enmity  
15 and hatred among members and former members. Plaintiff sought  
16 with the Agreement to end all of Armstrong's covert activities  
17 against it, along with the litigation itself. For that reason,  
18 the Agreement contained carefully negotiated and agreed-upon  
19 confidentiality provisions and provisions prohibiting Armstrong  
20 from fomenting litigation against plaintiff by third parties.  
21 These provisions were bargained for by plaintiff to put an end to  
22 the enmity and strife generated by Mr. Armstrong once and for  
23 all.

24       3. This action arises out of deliberate and repeated  
25 breaches by Armstrong of these and other express provisions of  
26 the Agreement. Although plaintiff fully performed all of its  
27 obligations under the Agreement, Armstrong never intended to keep  
28 his part of the bargain and maintains that he considered the

1 referenced provisions to be unenforceable ab initio. As soon as  
2 he finished spending the money he extracted from plaintiff as the  
3 price of his signature, Armstrong began a systematic campaign to  
4 foment litigation against plaintiff by providing confidential  
5 information, copies of the Agreement, declarations, and  
6 "paralegal" assistance to litigants actively engaged in  
7 litigation against his former adversaries. Although plaintiff  
8 has repeatedly demanded that Armstrong end his constant and  
9 repeated breach of the provisions of the Agreement, Armstrong  
10 appears to delight in renewing his annoying and harassing  
11 activities, admitting to them in sworn declarations, and refusing  
12 to end his improper liaisons.

13 4. With this Complaint, plaintiff seeks the Court's aid in  
14 obtaining the peace for which it bargained more than seven years  
15 ago. Plaintiff requests liquidated damages pursuant to the terms  
16 of the Agreement from Armstrong and his sham corporate alter ego,  
17 the Gerald Armstrong Corporation ("GAC"), as well as injunctive  
18 relief to prevent additional and future breaches of the Agreement  
19 by Armstrong.

#### 20 THE PARTIES

21 5. Plaintiff Church of Scientology International is a non-  
22 profit religious corporation incorporated under the laws of the  
23 State of California, having its principal offices in Los Angeles,  
24 California. Plaintiff CSI is the Mother Church of the  
25 Scientology religion.

26 6. Defendant Gerald Armstrong is a resident of Marin  
27 County, California.

28 7. Defendant Gerald Armstrong Corporation is a corporation

1 incorporated under the laws of the State of California, having  
2 its principal offices in San Anselmo, California.

3 8. Defendant Armstrong is the principal shareholder in GAC  
4 and its sole employee, and has been since the incorporation of  
5 GAC in 1987.

6 9. Defendant GAC is, and at all times since its  
7 incorporation was, the alter ego of defendant Armstrong and there  
8 exists, and at all times since GAC's incorporation has existed, a  
9 unity of interest and ownership between these two defendants such  
10 that any separateness between them has ceased to exist, in that  
11 defendant Armstrong caused his own personal assets to be  
12 transferred to GAC without adequate consideration, in order to  
13 evade payment of his lawful obligations, and defendant Armstrong  
14 has completely controlled, dominated, managed and operated GAC  
15 since its incorporation for his own personal benefit.

16 10. Defendant GAC is, and at all times herein mentioned  
17 was, a mere shell, instrumentality and conduit through which  
18 defendant Armstrong carried on his activities in the corporate  
19 name exactly as he conducted it previous to GAC's incorporation,  
20 exercising such complete control and dominance of such activities  
21 to such an extent that any individuality or separateness of  
22 defendant GAC and defendant Armstrong does not, and at all  
23 relevant times mentioned herein, did not exist.

24 11. Adherence to the fiction of the separate existence of  
25 defendant GAC as an entity distinct from defendant Armstrong  
26 would permit an abuse of the corporate privilege and would  
27 sanction fraud, in that Armstrong transferred his material assets  
28 to GAC in 1988, prior to embarking on the campaign of harassment



1 described herein, and with the intention of preventing plaintiff  
2 from obtaining monetary relief from Armstrong pursuant to the  
3 liquidated damages clause. GAC exists solely so that Armstrong  
4 may be "judgment proof."

5 THE CONTRACT

6 12. On or about December 6, 1986, CSI and Armstrong entered  
7 into a written confidential settlement Agreement, a true and  
8 correct copy of which is attached hereto as Exhibit A, and  
9 incorporated herein by reference.

10 13. The Agreement was entered into by plaintiff and  
11 defendant Armstrong, with the participation of their respective  
12 counsel after full negotiation. Each provision of the Agreement  
13 was carefully framed by the parties and their counsel to  
14 accurately reflect the agreement of the parties.

15 14. Plaintiff specifically negotiated for and obtained from  
16 Armstrong the provisions in the Agreement delineated in  
17 paragraphs 7(D), 7(H), 7(G), 10 and paragraphs 12 through 18,  
18 because it was well aware, through investigation, that Armstrong  
19 had undertaken a series of covert activities, apart from the  
20 litigation, which were intended by Armstrong to discredit Church  
21 leaders, spark government raids into the Churches, create phony  
22 "evidence" of wrongdoing against the Churches, and, ultimately,  
23 destroy the Churches and their leadership.

24 15. Contemporaneously with the signing of the Agreement,  
25 Armstrong represented that he understood the Agreement's  
26 provisions and was acting of his own free will and not under  
27 duress.

28 16. The Agreement also provided that plaintiff CSI would

1 pay to Armstrong's attorney, Michael Flynn, a lump sum amount  
2 intended to settle not just Armstrong's case, but the cases of  
3 other clients of Mr. Flynn as well, and that Mr. Flynn would pay  
4 to Armstrong a portion of that settlement amount. The exact  
5 amount of the portion to be paid to Armstrong by Mr. Flynn was  
6 maintained as confidential between Mr. Flynn and Armstrong.

7 17. CSI paid to Mr. Flynn the lump sum settlement amount.

8 18. Mr. Flynn paid to Armstrong his confidential portion of  
9 the lump sum settlement amount, which was at least \$520,000,  
10 after expenses.

11 19. The consideration paid to Armstrong was fair,  
12 reasonable and adequate. Plaintiff CSI has performed all of its  
13 obligations pursuant to the Agreement.

14 . FIRST CAUSE OF ACTION

15 (Against Armstrong for Breach of Contract)

16 20. Plaintiff realleges paragraphs 1-19, inclusive, and  
17 incorporates them herein by reference.

18 21. Vicki and Richard Aznaran ("the Aznarans") are former  
19 Scientology parishioners currently engaged in litigation against,  
20 inter alia, RTC and CSI, in the case of Vicki J. Aznaran, et al.  
21 v. Church of Scientology of California, et al., United States  
22 District Court for the Central District of California, Case No.  
23 CV 88-1786 JMI (Ex).

24 22. In June, 1991, the Aznarans discharged their attorney,  
25 Ford Greene, and retained attorney Joseph A. Yanny to represent  
26 them.

27 23. While acting as the Aznarans' counsel, Yanny hired  
28 Gerald Armstrong as a paralegal to help Yanny on the Aznaran

1 case.

2 24. In July, 1991, Armstrong agreed to travel from Marin  
3 County to Los Angeles and asked Yanny to pay him \$500 for his  
4 proposed help.

5 25. In July, 1991, Armstrong did travel to Los Angeles as  
6 he had agreed, stayed with Yanny on July 15 and July 16, 1991,  
7 and provided Yanny with paralegal assistance and a declaration  
8 for the Aznaran case.

9 26. Yanny is former counsel to CSI, and his substitution  
10 into the case was vacated by the Court sua sponte on July 24,  
11 1991, the Court noting that Yanny's retention as the Aznarans'  
12 counsel was "highly prejudicial" to CSI.

13 27. Armstrong's acceptance of employment by Yanny to work  
14 on the Aznarans' litigation is a direct violation of Paragraphs  
15 7(G) and 10 of the Agreement.

16 28. As a direct and proximate result of Armstrong's breach  
17 of the agreement by providing paralegal assistance to Yanny in  
18 the Aznarans' litigation, plaintiff has incurred damages which  
19 are not presently calculable. In no event, however, are they  
20 less than the jurisdictional minimum of this Court.  
21 Consequently, for this breach plaintiff seeks compensatory and  
22 consequential damages according to proof.

23 **SECOND CAUSE OF ACTION**

24 (Against Armstrong for Breach of Contract)

25 29. Plaintiff realleges paragraphs 1-19, 21-28, inclusive,  
26 and incorporates them herein by reference.

27 30. After Yanny entered his appearance in the Aznarans'  
28 case and indicated to CSI's counsel that he represented Gerald

1 Armstrong as well, CSI brought suit against Yanny in the case of  
2 Religious Technology Center, et al. v. Joseph A. Yanny, et al.,  
3 Los Angeles Superior Court No. BC 033035 ("RTC v. Yanny"). In  
4 that action, plaintiff sought and obtained a Temporary  
5 Restraining Order and a Preliminary Injunction against Yanny,  
6 which prohibit Yanny from aiding, advising, or representing,  
7 directly or indirectly, the Aznarans or Armstrong, on any matters  
8 relating to the plaintiff.

9 31. At the hearings before the Court on the temporary  
10 restraining order and the injunction, Yanny filed two  
11 declarations prepared and executed by Armstrong on July 16, 1991.  
12 The declarations were offered by Yanny as part of Yanny's  
13 defense, which was ultimately rejected by the Court when it  
14 issued its injunction.

15 32. Armstrong's aid to Yanny in the RTC v. Yanny case is a  
16 direct violation of Paragraphs 7(G) and 10 of the Agreement.

17 33. Armstrong attached as an exhibit to one of his July 16,  
18 1991 declarations a copy of the Agreement, the terms of which he  
19 had agreed, pursuant to paragraph 18(D), to keep confidential.  
20 This disclosure of the terms of the Agreement is a violation of  
21 its non-disclosure provisions, requiring that Armstrong pay to  
22 CSI \$50,000 in liquidated damages.

23 34. Despite demand by plaintiff, Armstrong has failed and  
24 refused to pay them the \$50,000 owed in liquidated damages for  
25 this breach of the Agreement.

26 THIRD CAUSE OF ACTION

27 (Against All Defendants for Breach of Contract)

28 35. Plaintiff realleges paragraphs 1-19, 21-28 and 30-34,

1 inclusive, and incorporates them herein by reference.

2 36. After Yanny's substitution into the Aznarans' case was  
3 summarily vacated, Ford Greene was reinstated as Aznarans'  
4 counsel of record. Ford Greene's law offices are located in San  
5 Anselmo, California.

6 37. On or about August, 1991, Armstrong began working in  
7 Ford Greene's office as a paralegal on the Aznarans' case. When,  
8 thereafter, the Aznarans hired attorney John Elstead to represent  
9 them as well, Armstrong provided paralegal services to Elstead as  
10 well as Greene. Armstrong's employment in Greene's office has  
11 continued to the present. Armstrong's activities constitute a  
12 daily and continuing breach of his contract, rendering  
13 plaintiff's bargain a nullity.

14 38. Plaintiff CSI has already incurred, and continues to  
15 incur, damages as a direct and proximate result of Armstrong's  
16 provision of aid to Greene in the Aznarans' case. Those damages  
17 are not presently calculable and will cease only when Armstrong  
18 is ordered to stop his improper conduct. In no event, however,  
19 are they less than the jurisdictional minimum of this Court.  
20 Consequently, for this breach plaintiff seeks compensatory and  
21 consequential damages according to proof.

22 FOURTH CAUSE OF ACTION

23 (Against All Defendants for Breach of Contract)

24 39. Plaintiff realleges paragraphs 1-19, 21-28, 30-34 and  
25 36-38, inclusive, and incorporates them herein by reference.

26 40. In addition to the paralegal services which Armstrong  
27 has provided to Ford Greene and John Elstead on the Aznarans'  
28 litigation, Armstrong also provided the Aznarans with a

1 declaration, dated August 26, 1991, and filed in the Aznarans'  
2 case. In that declaration, Armstrong describes some of his  
3 alleged experiences with and concerning plaintiff, and purports  
4 to authenticate copies of certain documents. These actions and  
5 disclosures are violations of paragraphs 7(G), 7(H) and 10 of the  
6 Agreement, requiring that Armstrong pay to CSI \$50,000 in  
7 liquidated damages.

8 41. Despite demand by plaintiff, Armstrong has failed and  
9 refused to comply with the liquidated damages provision by paying  
10 \$50,000 to plaintiff as demanded for this breach of the  
11 Agreement.

12 FIFTH CAUSE OF ACTION

13 (For Breach of Contract Against Armstrong)

14 42. Plaintiff realleges paragraphs 1-19, 21-28, 30-34, 36-  
15 38 and 40-41, inclusive, and incorporates them hereby reference.

16 43. On or about March 19, 1992, Armstrong, acting through  
17 Ford Greene as his agent, transmitted a press release to various  
18 members of the media, including the Cable News Network, San  
19 Francisco Chronicle, San Francisco Examiner, and the Marin County  
20 Independent Journal. A true and correct copy of the press  
21 release is attached hereto as Exhibit B. Said press release  
22 violated the Agreement in that it constituted disclosures by  
23 Armstrong, through Ford Greene as his agent, of his experiences  
24 with Scientology as prohibited by paragraph 2. The following are  
25 the excerpts from the press release which violate paragraph 2:

- 26 a) "Can the Scientology organization purchase the  
27 free speech rights of Gerald Armstrong-the former  
28 in-house biographer researcher/archivist of cult  
leader, L. Ron Hubbard..."

- 1            b)    "A former high-ranking Scientologist for 12 years,  
2            Armstrong split with the group when it insisted he  
3            continue lying about the accomplishments Hubbard  
4            claimed to the public at large."
- 5            c)    "For years Scientology has treated Armstrong as a  
6            'suppressive person' who was 'fair game.'"
- 7            d)    "Armstrong is resisting Scientology's high-powered  
8            attack in an effort to affirm his right to free  
9            speech to maintain vigilance for the truth."
- 10          e)    "(Scientology is) fabricating false scenarios in  
11          other court proceedings that Armstrong was an  
12          agent of the IRS out to destroy it."

13            44.    In addition, the press release devotes an entire  
14          paragraph to a description of the lawsuit resulting from the  
15          Settlement Agreement and to a description of the Settlement  
16          Agreement itself:

17                    "After Armstrong beat Scientology's lawsuit  
18                    against him in 1984, he was poised to  
19                    prosecute his own claims. For millions of  
20                    dollars, however, in 1986 Scientology settled  
21                    with he and over 17 other Scientology  
22                    knowledgeable individuals on the condition  
23                    that those persons would forever keep silent,  
24                    avoid giving sworn testimony by evading  
25                    subpoenas, and never aid or assist anyone  
26                    adverse to Scientology."

27            The distribution of the press release violated the provisions of  
28          paragraphs 7(D) and 18 of the Agreement.

29            45.    By reason of the foregoing breach by Armstrong,  
30          plaintiff is entitled to \$50,000 in liquidated damages and  
31          compensatory damages not presently known but believed to be in  
32          excess of the jurisdictional minimum of this Court.

33                    **SIXTH CAUSE OF ACTION**

34                    (For Breach of Contract by Armstrong)

35            46.    Plaintiff realleges paragraphs 1-19, 21-28, 30-34, 36-  
36          38, 40-4I and 43-45, inclusive, and incorporates them hereby by reference.





1 history and experiences with plaintiff and with other Scientology  
2 entities and individuals protected by the Agreement, and offered  
3 to appear for the plaintiffs as an "expert" on the subject of  
4 Scientology practices and beliefs.

5       52. On March 3, 1992, Armstrong voluntarily, and without  
6 the issuance of a subpoena by anyone, appeared for deposition in  
7 the Hunziker case and accepted a fee for his testimony from the  
8 defendants in that case of \$1,000. During the course of the  
9 deposition, which lasted for approximately four hours, Armstrong  
10 testified at length concerning his alleged experiences with and  
11 concerning plaintiff and other Scientology affiliated entities  
12 and individuals protected by the Agreement, and concerning  
13 knowledge and information which he claimed to have, concerning  
14 plaintiff and other Scientology affiliated entities and  
15 individuals.

16       53. During his deposition on March 3, 1992, Armstrong  
17 produced documents which he claimed to have reviewed in  
18 preparation for his testimony, in violation of paragraph 7(D) of  
19 the Agreement.

20       54. On or about March 12, 1992, Armstrong again appeared  
21 for deposition in the Hunziker case. This time, Armstrong  
22 claimed that he had been given a deposition subpoena not by the  
23 deposing attorney, but by attorney Elstead, and that Elstead had  
24 "filled out" the subpoena earlier that morning. Armstrong  
25 refused to produce a copy of the alleged subpoena, which had not  
26 been served on any of the parties to the case. In fact,  
27 Armstrong himself requested that Elstead issue him a subpoena on  
28 Sunday, March 8, 1992, after a temporary restraining order was

1 issued in this case. On March 8, 1992, Armstrong delivered  
2 additional documents to Elstead, again in violation of paragraph  
3 7(D) of the Agreement.

4 55. Plaintiff learned in April, 1992, through review of the  
5 aforesaid deposition transcript, that since the signing of the  
6 Agreement, Armstrong had "taken it upon [him]self" to reacquire  
7 documents which he had previously returned to plaintiff "from  
8 whatever source." He produced many of those documents  
9 voluntarily, first to Elstead on March 8, 1992, and then to  
10 opposing counsel during the March 12, 1992 deposition.

11 56. These actions and disclosures are violations of  
12 Paragraphs 7(D), 7(G), 7(H) and 10 of the Agreement, requiring  
13 that Armstrong pay to CSI \$250,000 in liquidated damages.

14 **EIGHTH CAUSE OF ACTION**

15 (Against Armstrong for Breach of Contract)

16 57. Plaintiff realleges paragraphs 1-19, 21-28, 30-34, 36-  
17 38, 40-41, 43-45, 47-48, 50-56, inclusive, and incorporates them  
18 herein by reference.

19 58. On or about April 7, 1992, while testifying in the  
20 matter known as Church of Scientology v. Yanny, (No. BC 033035),  
21 Armstrong made the Settlement Agreement sued upon herein an  
22 exhibit to the deposition transcript. Said action was a breach  
23 of paragraph 18(D) of the Agreement which prohibits disclosure of  
24 the contents of the Agreement.

25 59. By reason of the foregoing breach of the Agreement,  
26 Plaintiff is entitled to \$50,000 in liquidated damages, together  
27 with compensatory damages in an amount not presently known to  
28 plaintiff but believed to be in excess of the jurisdictional

1 minimum of this court.

2 NINTH CAUSE OF ACTION

3 (Against Armstrong for Beach of Contract)

4 60. Plaintiff realleges paragraphs 1-19, 21-28, 30-34, 36-  
5 38, 40-41, 43-45, 47-48, 50-56 and 58-59, inclusive, and  
6 incorporates them herein by reference.

7 61. In breach of the provision of paragraph 7(E) of the  
8 Agreement, Armstrong failed to return a letter written by L. Ron  
9 Hubbard to the Federal Bureau of Investigation in 1955 and an  
10 internal communication known as "Technical Bulletin."

11 62. In breach of the provisions of paragraph 7(H) of the  
12 Agreement, Armstrong gave a declaration in the Aznaran litigation  
13 on August 26, 1991 in opposition to a motion to exclude expert  
14 testimony.

15 63. Said declaration attached as exhibits the two documents  
16 referred to in paragraph 61 above, in breach of the provisions of  
17 Paragraph 7(D) of the Agreement.

18 64. By reason of the breaches by Armstrong in paragraphs  
19 7(E) and 7(H) of the Agreement, plaintiff has been damaged in an  
20 amount not presently known but believed to be in excess of the  
21 jurisdictional minimum of this Court.

22 65. By reason of the breach by Armstrong of paragraph 7(D)  
23 of the Agreement, plaintiff is entitled to liquidated damages in  
24 the amount of \$50,000.

25 TENTH CAUSE OF ACTION

26 (Against Armstrong for Breach of Contract)

27 66. Plaintiff realleges paragraphs 1-19, 21-28, 30-34, 36-  
28 38, 40-41, 43-45, 47-48, 50-56, 58-59 and 61-65, inclusive, and

1 incorporates them herein by reference.

2 67. Plaintiff learned in March, 1992, that during 1990 and  
3 1991, Armstrong voluntarily provided aid and advice to Bent  
4 Corydon and to Corydon's attorney, Toby Plevin, in the conduct of  
5 litigation against plaintiff and affiliated entities in the case  
6 of Bent Corydon v. Church of Scientology International, et al.,  
7 Los Angeles Superior Court Case No. C 694401.

8 68. Armstrong's voluntary provision of aid to Plevin to  
9 work on Corydon's litigation is a direct violation of paragraphs  
10 7(G) and 10 of the Agreement.

11 69. As a direct and proximate result of Armstrong's breach  
12 of the Agreement by providing voluntary assistance to Plevin in  
13 Corydon's litigation, plaintiff has incurred damages which are  
14 not presently calculable. In no event, however, are they less  
15 than the jurisdictional minimum of this Court. Consequently, for  
16 this breach plaintiff seeks compensatory and consequential  
17 damages according to proof.

18 ELEVENTH CAUSE OF ACTION

19 (Against Armstrong for Breach of Contract)

20 70. Plaintiff realleges paragraphs 1-19, 21-28, 30-34, 36-  
21 38, 40-41, 43-45, 47-48, 50-56, 58-59, 61-65, 67-69, inclusive,  
22 and incorporates them herein by reference.

23 71. On May 27, 1992, after plaintiff's motion for  
24 preliminary injunction in this matter had been argued, and while  
25 a determination of that motion was still pending, Armstrong  
26 voluntarily provided a declaration to Gary M. Bright and Jerold  
27 Fagelbaum, attorneys for defendants David Mayo, Church of the New  
28 Civilization, John Nelson, Harvey Haber, Vivien Zegel and Dede

1 Reisdorf in the consolidated cases of Religious Technology  
2 Center, et al. v. Robin Scott, et al., and Religious Technology  
3 Center, et al. v. Wollersheim, et al., United States District  
4 Court for the Central District of California, Case Nos. CV 85-711  
5 JMI (Bx) and CV 85-7197 JMI (Bx) (the "Scott case"). The  
6 plaintiffs in the Scott case are plaintiff, Church of Scientology  
7 International, Church of Scientology of California, and Religious  
8 Technology Center, all entities specifically protected by the  
9 Agreement.

10 72. In his May 27, 1992 declaration, Armstrong purports to  
11 authenticate an earlier declaration which describes some of his  
12 alleged experiences with and concerning plaintiff, as well as a  
13 portion of a transcript which was ordered sealed in the earlier  
14 action between plaintiff and defendant. These actions and  
15 disclosures are violations of paragraphs 7(G), 7(H) and 10 of the  
16 Agreement, requiring that Armstrong pay to CSI \$50,000 in  
17 liquidated damages.

18 73. As a direct and proximate result of Armstrong's breach  
19 of the Agreement by providing voluntary assistance to Bright and  
20 Fagelbaum in the Scott case, plaintiff has incurred additional  
21 damages which are not presently calculable. In no event,  
22 however, are they less than the jurisdictional minimum of this  
23 Court. Consequently, for this breach plaintiff also seeks  
24 compensatory and consequential damages according to proof.

25 TWELFTH CAUSE OF ACTION

26 (Against All Defendants for Breach of Contract)

27 74. Plaintiff realleges paragraphs 1-19, 21-28, 30-34, 36-  
28 38, 40-41, 43-45, 47-48, 50-56, 58-59, 61-65, 67-69, 71-73,

1 inclusive, and incorporates them herein by reference.

2 75. Since August, 1991, Armstrong has worked as a paralegal  
3 for attorney Ford Greene. Mr. Greene's practice consists  
4 substantially of pressing claims by former Scientologists against  
5 the plaintiff and other individuals and entities identified in  
6 paragraph 1 as beneficiaries of the Agreement (collectively, "the  
7 Beneficiaries").

8 76. Among Mr. Greene's clients who are pressing claims  
9 against one or more of the Beneficiaries are Ed Roberts and  
10 Denise Cantin.

11 77. While working in Mr. Greene's office, Armstrong  
12 provided substantial paralegal assistance to Mr. Greene in the Ed  
13 Roberts and Denise Cantin matters. In the case of Roberts, for  
14 example, Armstrong went to Colorado and interviewed Roberts in  
15 November, 1991, and has interviewed him at least seven times  
16 since then. In December, 1992, Armstrong even made a settlement  
17 demand to plaintiff's counsel on behalf of Roberts, without  
18 bothering to go through Roberts' attorney, Mr. Greene.

19 78. Armstrong's employment by Greene to work on the Roberts  
20 and Cantin matters is a direct violation of paragraphs 7(G) and  
21 10 of the Agreement.

22 79. As a direct and proximate result of Armstrong's breach  
23 of the agreement by providing paralegal assistance to Greene on  
24 the Roberts and Cantin matters, plaintiff has incurred damages  
25 which are not presently calculable. In no event, however, are  
26 they less than the jurisdictional minimum of this Court.  
27 Consequently, for this breach plaintiff seeks compensatory and  
28 consequential damages according to proof.



1 spoke with approximately fifty (50) people, and willingly  
2 disclosed to them his claimed experiences with Scientology, in  
3 violation of paragraphs 7(D) and 18 of the Agreement.

4 85. By reason of the foregoing breaches by Armstrong,  
5 plaintiff is entitled to at least \$150,000 in liquidated damages,  
6 and further liquidated damages subject to proof.

7 FOURTEENTH CAUSE OF ACTION

8 (For Breach of Contract Against All Defendants)

9 86. Plaintiff realleges paragraphs 1-19, 21-28, 30-34, 36-  
10 38, 40-41, 43-45, 47-48, 50-56, 58-59, 61-65, 67-69, 71-73, 75-79  
11 and 81-85, inclusive, and incorporates them herein by reference.

12 87. On or about December 22, 1992, Armstrong sent a letter  
13 to, inter alia, Malcolm Nothling, Ed Roberts, Lawrence  
14 Wollersheim, Richard Aznaran, Vicki Aznaran, Richard Behar, Ford  
15 Greene, Paul Morantz, Joseph A. Yanny, Toby L. Plevin, Graham E.  
16 Berry, Stuart Cutler, Anthony Laing, John C. Elstead, Fr. Kent  
17 Burtner, Margaret Singer, Cult Awareness Network and Daniel A.  
18 Leipold. Each of these individuals or organizations is (a)  
19 engaged in litigation against plaintiff and/or other  
20 Beneficiaries; (b) an avowed adversary of plaintiff and/or other  
21 Beneficiaries; and/or (c) an attorney who represents or has  
22 represented litigants and/or adversaries of plaintiff and/or  
23 other Beneficiaries. A true and correct copy of the letter sent  
24 by Armstrong is attached hereto as Exhibit E. Said letter  
25 violates the Agreement in that it contains purported disclosures  
26 by Armstrong of his claimed experiences with Scientology as  
27 prohibited by paragraph 7(D).

28 88. In addition, the letter devotes an entire section to a



1 description of the earlier action resulting from the breaches of  
2 the Settlement Agreement and to a description of the Settlement  
3 Agreement itself. The sending of the letter to plaintiff's  
4 adversaries violated the provision of paragraph 7(D) of the  
5 Agreement.

6 89. By reason of the foregoing breach of the Agreement,  
7 plaintiff is entitled to \$950,000 in liquidated damages.

8 **FIFTEENTH CAUSE OF ACTION**

9 (Against All Defendants for Breach of Contract)

10 90. Plaintiff realleges paragraphs 1-19, 21-28, 30-34, 36-  
11 38, 40-41, 43-45, 47-48, 50-56, 58-59, 61-65, 71-73, 75-79, 81-85  
12 and 87-89, inclusive and incorporates them herein by reference.

13 91. According to Armstrong, sometime between December 22,  
14 1992 and March 10, 1993, he spoke at an event at which  
15 approximately 30 to 40 people were present. At this event,  
16 Armstrong spoke of, inter alia, his claimed experiences with  
17 Scientology, in violation of at least paragraphs 7(D) and 18 of  
18 the Agreement, and received monetary compensation for his speech.

19 92. By reason of the foregoing breach of the Agreement,  
20 plaintiff is entitled to \$50,000 in liquidated damages.

21 **SIXTEENTH CAUSE OF ACTION**

22 (Against All Defendants for Breach of Contract)

23 93. Plaintiff realleges paragraphs 1-19, 21-28, 30-34, 36-  
24 38, 40-41, 43-45, 47-48, 50-56, 58-59, 61-65, 71-73, 75-79, 81-  
25 85, 87-89, 91-92, inclusive, and incorporates them herein by  
26 reference.

27 94. In or about June, 1993, Armstrong gave an interview to  
28 one or more reporters from Newsweek magazine, which also violated

1 paragraph 7(D) of the Agreement. Plaintiff is informed, and  
2 therefore believes, that during the course of his interview with  
3 the Newsweek reporter(s), whose identity is known to defendants  
4 but not to plaintiff, Armstrong stated that the Founder of the  
5 Scientology faith, L. Ron Hubbard, wanted "rich Scientologists to  
6 buy huge quantities of [The Way to Happiness] for distribution.  
7 He wanted to go down in history as a scientist or a philosopher  
8 or both." Attached hereto and incorporated herein by reference  
9 as Exhibit F is a true and correct copy of the Newsweek article  
10 which featured this statement made voluntarily by Armstrong in a  
11 media interview. The provision of this interview by Armstrong  
12 violated the provisions of paragraphs 2, 7(D) and 18 of the  
13 Agreement.

14 95. By reason of the foregoing breach of the Agreement,  
15 plaintiff is entitled to \$50,000 in liquidated damages.

16 SEVENTEENTH CAUSE OF ACTION

17 (Against All Defendants for Breach of Contract)

18 96. Plaintiff realleges paragraphs 1-19, 21-28, 30-34, 36-  
19 38, 40-41, 43-45, 47-48, 50-56, 58-59, 61-65, 67-69, 71-73, 75-  
20 79, 81-85, 87-89, 91-92 and 94-95, inclusive, and incorporates  
21 them herein by reference.

22 97. In or about August, 1993, Armstrong gave an interview  
23 to one or more reporters from Entertainment Television, with the  
24 intention that the reporters broadly republish the interview on  
25 national television, which also violated paragraph 7(D) of the  
26 Agreement. During the course of his interview with the  
27 Entertainment Television reporter(s), whose identity is known to  
28 defendants but not to plaintiff, Armstrong made statements

1 concerning his claimed experiences with Scientology. Further,  
2 Armstrong provided to Entertainment Television a copy of a  
3 manuscript entitled: "ONE HELL OF A STORY An Original Treatment  
4 Written for Motion Picture Purposes Created and Written by Gerald  
5 Armstrong" (hereinafter, "the treatment"). Plaintiff is informed  
6 and believes that the treatment so provided includes detailed  
7 descriptions of Armstrong's alleged experiences in and concerning  
8 Scientology, including a description of Church scriptures which  
9 are considered sacred and confidential by the Church. Portions  
10 of the Armstrong interview and the treatment were shown on  
11 Entertainment Television's "Entertainment Tonight" show on August  
12 5, 1993. The provision of this interview and the treatment by  
13 Armstrong to Entertainment Television violated the provisions of  
14 at least paragraphs 7(D) and 18 of the Agreement.

15 98. By reason of the foregoing breach of the Agreement,  
16 plaintiff is entitled to \$50,000 in liquidated damages.

17 EIGHTEENTH CAUSE OF ACTION

18 (Against All Defendants for Injunctive Relief)

19 99. Plaintiff realleges paragraphs 1-19, 21-28, 30-34, 36-  
20 38, 40-41, 43-45, 47-48, 50-56, 58-59, 61-65, 67-69, 71-73, 75-  
21 79, 81-85, 87-89, 91-92, 94-95, 97-98, inclusive, and  
22 incorporates them herein by reference.

23 100. In or about June 1993, defendant Armstrong caused the  
24 formation of and became a director and officer of a Colorado  
25 corporation which he called Fight Against Coercive Tactics, Inc.  
26 ("FACTI"). One of the avowed purposes of this corporation is to  
27 foment civil litigation against plaintiff and the other entities  
28 and individuals protected by the Agreement. Armstrong formed

1 FACTI to implement his plan to foment such litigation.

2 101. Armstrong has established FACTI to create an electronic  
3 "library" that would feature, inter alia, hundreds of documents,  
4 declarations, exhibits and arguments prepared by Armstrong which  
5 discuss and pertain to the Beneficiaries, and to attempt to  
6 "shelter" these contractual breaches under a corporate name and  
7 the rubric of First Amendment privilege.

8 102. Armstrong has provided an entire assortment of  
9 documents to FACTI for its electronic library, including a copy  
10 of the settlement agreement herein, scores of declarations, and  
11 documents which Armstrong retained in violation of paragraph 7(E)  
12 of the Agreement. Providing these documents to FACTI with the  
13 intention that FACTI distribute them to others, including but not  
14 limited to other litigants, is a breach of paragraphs 7(H) and  
15 7(D) of the Agreement.

16 103. In or about January, 1994, Armstrong, using FACTI, sent  
17 a mass mailing to an as yet unascertained number of people,  
18 including members of the Scientology faith. In the mailing,  
19 Armstrong exhorts recipients to bring civil actions against the  
20 Church, stating that he is collecting negative information about  
21 the plaintiff "to assist ongoing litigation." Further, Armstrong  
22 requests the addresses of and ways to contact the family members  
23 of senior Church executives, an action which is clearly intended  
24 for the purpose of harassment.

25 104. To further the fomenting of litigation, the mailing  
26 contains a list, based on rumor, falsehood and innuendo, of  
27 persons supposedly harmed or injured by their belief in the  
28 Scientology religion. Plaintiff is informed and believes that

1 Armstrong, using FACTI as his cover, provided that list to Graham  
2 Berry, an attorney representing defendant Uwe Geertz in the case  
3 of Church of Scientology International v. Steven Fishman, et al.,  
4 United States District Court for the Central District of Los  
5 Angeles, Case No. 91-6426 HLH (Tx), which Berry then used against  
6 the Church in that action.

7 105. Armstrong's provision of assistance to Geertz and  
8 scores of other as yet unidentified would-be litigants is a  
9 direct violation of paragraphs 7(G) and 10 of the Agreement.

10 106. As a direct and proximate result of Armstrong's breach  
11 of the agreement via FACTI, plaintiff has incurred damages which  
12 are not presently calculable. In no event, however, are they  
13 less than the jurisdictional minimum of this Court. Consequently,  
14 for this breach plaintiff seeks compensatory and consequential  
15 damages according to proof.

16 NINETEENTH CAUSE OF ACTION

17 (Against Armstrong for Breach of Contract)

18 107. Plaintiff realleges paragraphs 1-19, 21-28, 30 -34, 36-  
19 38, 40-41, 47-48, 50-56, 58-59, 61-65, 67-69, 71-73, 75-79, 81-  
20 85, 87-89, 91-92, 94-95, 97-98, and 100-106, inclusive, and  
21 incorporates them herein by reference.

22 108. On or about February 22, 1994, Armstrong voluntarily  
23 provided a declaration to Graham E. Berry, Gordon C. Calhoun, and  
24 the law firm of Lewis, D'Amato, Brisbois & Bisgaard, attorneys  
25 for defendant Uwe Geertz in the case of Church of Scientology  
26 International v. Steven Fishman and Uwe Geertz, United States  
27 District Court for the Central District of California, Case No.  
28 CV 91-6426 HLH (Tx). The declaration consists of a 14-page

1 discussion of his claimed experiences with and concerning  
2 plaintiff.

3 109. In his February 22, 1994 declaration, Armstrong also  
4 purports to authenticate a document which he titles "Find a  
5 Better Basket," and which he claims is both a literary work and a  
6 declaration. Armstrong further claims that "Find a Better  
7 Basket" describes some of his alleged experiences with and  
8 concerning plaintiff.

9 110. These actions and disclosures are violations of  
10 paragraphs 7(G), 7(H) and 10 of the Agreement, requiring that  
11 Armstrong pay to CSI \$50,000 in liquidated damages.

12 111. As a direct and proximate result of Armstrong's breach  
13 of the Agreement by providing voluntary assistance to Berry and  
14 Calhoun in the Fishman case, plaintiff has incurred additional  
15 damages which are not presently calculable. In no event,  
16 however, are they less than the jurisdictional minimum of this  
17 Court. Consequently, for this breach plaintiff also seeks  
18 compensatory and consequential damages according to proof.

19 TWENTIETH CAUSE OF ACTION

20 (Against All Defendants for Injunctive Relief)

21 112. Plaintiff realleges paragraphs 1-19, 21-28, 30-34, 36-  
22 38, 40-41, 47-48, 50-56, 58-59, 61-65, 67-69, 71-73, 75-79, 81-  
23 85, 87-89, 91-92, 94-95, 97-98, 100-106 and 108-111, inclusive,  
24 and incorporates them herein by reference.

25 113. On or about April 28, 1993, plaintiff learned that  
26 Armstrong intended to appear that day on radio station KFAX and  
27 disclose his claimed experiences with Scientology. Plaintiff's  
28 counsel, Laurie Bartilson, faxed a letter to Armstrong and his

1 attorney, informing him that plaintiff would consider any such  
2 appearance to be a violation of the Agreement, and would subject  
3 Armstrong to the liquidated damages provision contained therein.  
4 In response, Armstrong sent a letter to Ms. Bartilson which  
5 stated, inter alia,

6 Your threat that you will subject me to the liquidated  
7 damages provision of the settlement agreement for  
8 appearing on KFOX is obscene. Even its inclusion in  
the settlement agreement; that is \$50,000.00 per word I  
write or speak about your organization is obscene....

9 In addition, Armstrong asserted that settlement agreements were  
10 an "antisocial policy" of plaintiff. He stated that he would not  
11 stop making media appearances and speeches, and that he had more  
12 planned for the near future if plaintiff did not immediately  
13 accede to his demands:

14 I expect to be doing various media appearances in the  
15 near future and talks to various groups, including one  
16 I have already agreed to with a university psychology  
17 class. I think it would be very beneficial, therefore,  
18 to resolve our differences as soon as possible by your  
organization's clear repudiation of its antisocial  
policies and practices, so that I can have good things  
to report at these talks.

19 114. In or about June, 1993, Armstrong made good his  
20 threats, and gave an interview to a reporter(s) from Newsweek  
21 magazine, as described in paragraph 94, supra.

22 115. On July 2, 1993, again making good his threats,  
23 Armstrong appeared in Los Angeles, California at the Los Angeles  
24 Superior Court. He attended a hearing in the Wollersheim II  
25 case, and afterwards gave an interview to a reporter who claimed  
26 to be "working on a story," but refused to identify himself.

27 116. In or about August, 1993, Armstrong gave an interview  
28 to reporters from Entertainment Television, as described in

1 paragraph 97, supra.

2 117. In or about August, 1993, Armstrong delivered to  
3 Entertainment Television a motion picture "treatment" concerning  
4 his experiences in and concerning Scientology, and told reporters  
5 for Entertainment Television that he was trying to "sell" the  
6 treatment, and have his claimed experiences portrayed in a motion  
7 picture.

8 118. In his February 22, 1994 declaration, which Armstrong  
9 provided to attorneys for litigant Uwe Geertz, Armstrong  
10 purported to authenticate a document which he titles "Find a  
11 Better Basket." Armstrong further claims that "Find a Better  
12 Basket" supposedly describes some of his alleged experiences with  
13 and concerning plaintiff is the treatment for a screenplay which  
14 he hopes to sell. ;

15 119. As described in paragraphs 100-103, supra, Armstrong  
16 has, in concert with others, created a computer bulletin board  
17 which has as its purpose facilitating continuous breaches of the  
18 Agreement by electronic means.

19 120. As a direct and proximate result of Armstrong's breach  
20 of the Agreement by disclosing his experiences, by making media  
21 appearances, by repeatedly providing assistance to litigants,  
22 would-be claimants and their attorneys, and by creating and  
23 operating FACTI, which breaches are persistent and continuing,  
24 CSI is and will continue to be irreparably harmed, and unless  
25 Armstrong and those acting in concert with him are preliminarily  
26 and permanently enjoined from continuing that unlawful conduct,  
27 further irreparable harm will be caused to CSI.

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ON THE FIRST CAUSE OF ACTION

1. For compensatory and consequential damages according to proof.
2. For attorneys' fees and costs of suit.

ON THE SECOND CAUSE OF ACTION

1. For liquidated damages in the amount of \$50,000.
2. For attorneys' fees and costs of suit.

ON THE THIRD CAUSE OF ACTION

1. For compensatory and consequential damages according to proof.
2. For attorneys' fees and costs of suit.

ON THE FOURTH CAUSE OF ACTION

1. For liquidated damages in the amount of \$50,000.
2. For attorneys' fees and costs of suit.

ON THE FIFTH CAUSE OF ACTION

1. For liquidated damages in the amount of \$50,000.
2. For compensatory and consequential damages according to proof.
3. For attorneys' fees and costs of suit.

ON THE SIXTH CAUSE OF ACTION

1. For liquidated damages in the amount of \$50,000.
2. For attorneys' fees and costs of suit.

ON THE SEVENTH CAUSE OF ACTION

1. For liquidated damages in the amount of \$250,000.
2. For attorneys' fees and costs of suit.

ON THE EIGHTH CAUSE OF ACTION

1. For liquidated damages in the amount of \$50,000.
2. For attorneys' fees and costs of suit.

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ON THE NINTH CAUSE OF ACTION

1. For compensatory and consequential damages according to proof.
2. For liquidated damages in the amount of \$50,000.
3. For attorneys' fees and costs of suit.

ON THE TENTH CAUSE OF ACTION

1. For compensatory and consequential damages according to proof.
2. For attorneys' fees and costs of suit.

ON THE ELEVENTH CAUSE OF ACTION

1. For compensatory and consequential damages according to proof.
2. For liquidated damages in the amount of \$50,000.
3. For attorneys' fees and costs of suit.

ON THE TWELFTH CAUSE OF ACTION

1. For compensatory and consequential damages according to proof.
2. For attorneys' fees and costs of suit.

ON THE THIRTEENTH CAUSE OF ACTION

1. For liquidated damages of \$150,000, and further liquidated damages according to proof.
2. For attorneys' fees and costs of suit.

ON THE FOURTEENTH CAUSE OF ACTION

1. For liquidated damages in the amount of \$950,000.
2. For attorneys' fees and costs of suit.

ON THE FIFTEENTH CAUSE OF ACTION

1. For liquidated damages in the amount of \$50,000.
2. For attorneys' fees and costs of suit.



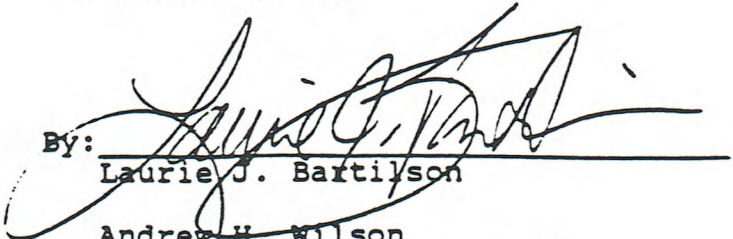
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ON ALL CAUSES OF ACTION

1. For such other and further relief as the Court may deem just and proper.

DATED: April 4, 1994

BOWLES & MOXON

By:   
Laurie J. Bartilson

Andrew H. Wilson  
WILSON, RYAN & CAMPILONGO

Attorneys for Plaintiff  
CHURCH OF SCIENTOLOGY  
INTERNATIONAL

1 VERIFICATION

2 I, LYNN R. FARNY, declare as follows:

3 I am Secretary of the Plaintiff, Church of Scientology  
4 International, in the above-entitled matter. I have read the  
5 foregoing Verified Second Amended Complaint for Damages and for  
6 Preliminary and Permanent Injunctive Relief for Breach of  
7 Contract and know the contents thereof, which are true of my own  
8 knowledge except as to those matters which are stated on  
9 information and belief, and as to those matters, I believe them  
10 to be true.

11 I declare under the penalty of perjury pursuant to the laws  
12 of the State of California that the foregoing is true and  
13 correct.

14 Executed on April 4, 1994, at Los Angeles, California.

15  
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17 LYNN R. FARNY  
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1 Ford Greene, Esquire  
California State Bar No. 107601  
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711 Sir Francis Drake Boulevard  
3 San Anselmo, California 94960-1949  
Telephone: (415) 258-0360

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Pacific Palisades, CA 90272  
6 (213) 459-4745

7 Attorneys for Defendant  
GERALD ARMSTRONG

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
11 IN AND FOR THE COUNTY OF LOS ANGELES

13 CHURCH OF SCIENTOLOGY )  
14 INTERNATIONAL, a California )  
not-for-profit religious )  
15 corporation; )

16 Plaintiffs, )

17 vs. )

18 GERALD ARMSTRONG; DOES 1 )  
through 25, inclusive, )

19 Defendants. )  
20 )  
21 )

No. BC 052395

AMENDED ANSWER OF GERALD  
ARMSTRONG AND THE GERALD  
ARMSTRONG CORPORATION TO  
AMENDED COMPLAINT

22 Defendant Gerald Armstrong, hereinafter "Armstrong," and The  
23 Gerald Armstrong Corporation, hereinafter "TGAC," defendants,  
24 hereby jointly submit the following amended answer to the amended  
25 complaint of plaintiff, CHURCH OF SCIENTOLOGY INTERNATIONAL,  
26 hereinafter "CSI." Although the following Answer may be framed in  
27 the singular, it shall be interpreted to refer to both answering  
28 defendants unless the referred to event took place before July

1 1987, in which event said allegation shall apply to Gerald  
2 Armstrong as an individual only because prior to said date TGAC  
3 did not exist.

4 1. Armstrong admits there was a settlement agreement  
5 entered into in December, 1986, but denies each and every  
6 allegation of the rest of this paragraph. Armstrong's only  
7 actions have been those necessitated by the violations by the  
8 Scientology organization, including CSI, hereinafter the "ORG," of  
9 the express terms and spirit of the settlement agreement. It is  
10 the ORG which has embarked on a deliberate campaign to breach the  
11 provisions of the agreement, and foment litigation, hatred and  
12 ill-will against ARMSTRONG.

13 2. Armstrong admits that he entered into a settlement  
14 agreement with the ORG in December 1986 of his cross-complaint in  
15 Church of Scientology of California v. Gerald Armstrong, Los  
16 Angeles Superior Court No. C 420 153 hereinafter Armstrong I.  
17 Armstrong denies that the agreement was for the benefit of  
18 numerous third-parties; he asserts that the agreement is to  
19 constitute a fraud on courts, nationally and internationally, and  
20 upon the public of the World. Armstrong denies that the  
21 description of the ORG as a church is true. Armstrong denies  
22 CSI's description of him. It is the ORG which sought by litigation  
23 and covert means to disrupt Armstrong's activities and life, and  
24 which displayed through the years an intense and abiding hatred  
25 for Armstrong, and an eagerness to annoy and harass Armstrong by  
26 spreading enmity and hatred about him among its employees,  
27 customers, victims, in the media, the courts and the world.  
28 Armstrong denies that the ORG sought to end Armstrong's covert



1 activities, because there were no such covert activities, nor to  
2 end the litigation. Armstrong denies that the agreement contained  
3 carefully negotiated and agreed-upon provisions. Armstrong was not  
4 included in one word of the negotiations, which were engineered by  
5 the ORG through the compromise of Armstrong's attorney. Armstrong  
6 never agreed to the conditions, but did agree with the  
7 representations of his attorney that the conditions were  
8 unenforceable. Armstrong denies that the ORG bargained for the  
9 settlement provisions to put an end to enmity and strife generated  
10 by Armstrong because Armstrong generated no such enmity and  
11 strife.

12 3. Armstrong denies that this action arises from his  
13 deliberate and repeated breaches of provisions of the agreement.  
14 Armstrong denies moreover that he can violate the agreement  
15 because its provisions are contrary to public policy and illegal.  
16 Armstrong denies that the ORG fully performed its obligations  
17 under the agreement; rather, it violated both the letter and  
18 spirit from the date of its signing. Armstrong denies that he  
19 never intended to keep his part of the bargain. Armstrong admits  
20 that, based on the representations of his lawyer that the  
21 referenced provisions were unenforceable and that the ORG lawyers  
22 also knew they were unenforceable, he also considered said  
23 provisions unenforceable. Armstrong denies that he ever extracted  
24 money from the ORG. Armstrong denies that in June 1991 he had  
25 finished spending his money. In August 1990 Armstrong had given  
26 away all his assets for reasons unrelated to the ORG, except that  
27 he evaluated that because the ORG committed so much harm with its  
28 billions of dollars there was no reason not to give his money

1 away, and that it was better to combat the ORG's tyranny without  
2 money than not to combat it with wheelbarrow loads of it.  
3 Armstrong denies that in June, 1991 he began any campaign,  
4 provided any confidential information to anyone, copies of any  
5 agreement, declarations, and paralegal assistance to any  
6 litigants. Armstrong denies that the ORG repeatedly demanded that  
7 Armstrong end his constant and repeated breach of the provisions  
8 of the agreement. There has never been a constant and repeated  
9 breach of the provisions of the agreement by Armstrong, nor has  
10 there ever been a repeated demand from the ORG.

11 4. Armstrong denies that the ORG bargained for peace.  
12 Armstrong admits that the ORG requests liquidated damages, but  
13 denies that the ORG is due such damages pursuant to the terms of  
14 the agreement, and states that said liquidated damages are  
15 invalid. By its acts in violation of the agreement the ORG has  
16 sacrificed its right to any relief, including damages. It is  
17 Armstrong who is due liquidated damages. Armstrong denies that  
18 the ORG requests injunctive relief to prevent additional and  
19 future breaches by Armstrong. There have been no breaches by  
20 Armstrong and there can be no future breaches by Armstrong because  
21 of the ORG's violations of the agreement and because the agreement  
22 itself is contrary to public policy and illegal.

23 5. Armstrong denies CSI's description of itself. Armstrong  
24 admits that CSI is incorporated under the laws of the State of  
25 California and has its principal offices in Los Angeles.  
26 Armstrong denies that Scientology is a religion. Scientology  
27 employs a self-ascribed religious status so as to exploit the  
28 extraordinary benefits conferred by the religious liberty clauses

1 of the First Amendment to the United States Constitution.

2 6. Armstrong admits that he is a resident of Marin County,  
3 California.

4 7. Armstrong lacks knowledge or information sufficient to  
5 form a belief as to the truth of the averments in this paragraph  
6 and is therefore unable to admit or deny the same.

7 8. Armstrong admits the truth of the averments in this  
8 paragraph.

9 9. Armstrong admits that the agreement was entered into  
10 with the participation of respective counsel, but denies that it  
11 was after full negotiation. Armstrong denies that the provisions  
12 of the agreement were carefully framed by the parties and their  
13 counsel to accurately reflect the agreement of the parties.  
14 Armstrong only participated in the framing of one provision in the  
15 agreement, the one allowing him to keep his art. Armstrong was,  
16 in fact, carefully kept in the dark concerning the settlement  
17 provisions by the ORG and his counsel. The provisions, moreover,  
18 do not contain the actual agreement of the parties concerning  
19 their unenforceability. Nor do they contain the agreement whereby  
20 the ORG contracted with Armstrong's lawyer to not represent him in  
21 future litigation regarding the agreement. And they do not  
22 contain the agreement whereby Armstrong's lawyer would assist the  
23 ORG in allowing it to attack Armstrong without his response, nor  
24 the side indemnity agreement and other agreements with Armstrong's  
25 lawyer for a collusive appeal and rigged retrial of the underlying  
26 action. The purpose of the agreement was to engineer a reversal  
27 of Judge Breckenridge's 1984 decision holding for Armstrong on  
28 Scientology's complaint against Armstrong in Armstrong I.

1 10. Armstrong denies the totality of this paragraph. There  
2 never was a series of covert activities by Armstrong intended to  
3 discredit ORG leaders, spark government raids, create phony  
4 "evidence" of wrongdoing against the ORG and ultimately destroy  
5 the ORG and its leadership.

6 11. Armstrong admits that when asked by ORG lawyer Lawrence  
7 Heller during the videotaped signing of the settlement agreement  
8 if he was acting of his own free will he said he was. Armstrong  
9 was, however, under great duress resulting from years of ORG  
10 abuse, threats and attacks, his manipulation by the ORG through  
11 his attorney as a deal-breaker during the settlement, and his  
12 knowledge of ORG policies of hatred and vindictiveness. Armstrong  
13 denies that in later 1991 he revealed for the first time that he  
14 believed at the time the agreement was signed the provisions were  
15 unenforceable. Armstrong put his opinion of the provisions'  
16 unenforceability in his declaration dated March 15, 1990, which  
17 the ORG received within a week of that date. Moreover,  
18 Armstrong's lawyer, Michael Flynn, advised Armstrong that he had  
19 advised the ORG in December 1986, before the agreement was signed  
20 that the provisions were unenforceable.

21 12. Armstrong does not answer these allegations of this  
22 paragraph inasmuch as they have been stricken by court order.

23 13. Armstrong admits the averments of this paragraph.

24 14. Armstrong admits the averments of this paragraph.

25 15. Armstrong admits the averments of this paragraph.

26 16. Armstrong denies each and every averment of this  
27 paragraph.

28 17. In answering the averments contained in this paragraph

1 wherein CSI adopts by reference paragraphs 1 through 16 of its  
2 averments, Armstrong admits, denies and avers to the same effect  
3 and in the same manner as he admitted, denied and averred with  
4 respect to those specific paragraphs as previously set forth in  
5 this answer.

6 18. Armstrong admits the averments of this paragraph, but  
7 denies that the Aznarans were Scientology parishioners; they were  
8 Scientology victims. Scientology is not a religion.

9 19. Armstrong admits the averments of this paragraph.

10 20. Armstrong admits that while Yanny was acting as the  
11 Aznarans' counsel he asked Armstrong to help him, but denies that  
12 Yanny hired him as paralegal to work on the Aznaran case.

13 21. Armstrong admits that he agreed to travel to Los Angeles  
14 from Marin Country but denies that he asked Yanny to pay him  
15 \$500.00 for his proposed help.

16 22. Armstrong admits the averments of this paragraph except  
17 that he denies that he provided "paralegal assistance." Armstrong  
18 did assist in drafting two evidentiary declarations, which he  
19 personally executed as a witness.

20 23. Armstrong lacks knowledge or information sufficient to  
21 form a belief as to the truth of the averments in this paragraph  
22 and is therefore unable to admit or deny the same.

23 24. Armstrong denies each and every averment of this  
24 paragraph.

25 25. Armstrong denies each and every averment of this  
26 paragraph. Whatever assistance Armstrong gave Yanny in the  
27 Aznaran litigation caused the ORG no damage, but assisted it in  
28 its publicly stated goal of peace.

1           26. In answering the averments contained in this paragraph  
2 wherein CSI adopts by reference paragraphs 1 through 16 and 18  
3 through 25 of its averments, Armstrong admits, denies and avers to  
4 the same effect and in the same manner as he admitted, denied and  
5 averred with respect to those specific paragraphs as previously  
6 set forth in this answer.

7           27. Armstrong admits the averments of this paragraph except  
8 that he denies that Yanny indicated to CSI's counsel that he  
9 represented Armstrong, and Armstrong denies that there exists any  
10 order of injunction prohibiting Yanny from representing Armstrong  
11 in any manner whatsoever in any matters relating to anyone.

12           28. Armstrong lacks knowledge or information sufficient to  
13 form a belief as to the truth of the averments in this paragraph  
14 and is therefore unable to admit or deny the same.

15           29. Armstrong denies each and every averment of this  
16 paragraph. Armstrong adds, moreover, that if, as the ORG alleges,  
17 the Court in RTC v. Yanny rejected Yanny's defense which was  
18 supported by Armstrong's declarations, Armstrong could not with  
19 those declarations have aided Yanny.

20           30. Armstrong admits that he attached the settlement  
21 agreement to his July 16, 1991 declaration as an exhibit, but  
22 denies that he had agreed to keep the terms of the agreement  
23 confidential. Armstrong was under duress when signing the  
24 agreement and did not ever agree with the unenforceable conditions  
25 of the agreement including confidentiality regarding the agreement  
26 itself. Nevertheless, he did not discuss the agreement until  
27 after it was made public by the California Court of Appeal.  
28 Armstrong filed the agreement under seal in the Court of Appeal in

1 February, 1990 in order to prevent a fraud upon the Court being  
2 perpetrated by the ORG, and it was the Court of Appeal which sua  
3 sponte unsealed the agreement. But prior to filing the agreement  
4 in the Court of Appeal, Armstrong had already been relieved of any  
5 conceivable obligation to keep the agreement confidential by the  
6 ORG's divulging of its contents in other litigations, and  
7 therefore waiving any right to have it remain confidential  
8 thereafter.

9 31. Armstrong admits that he has never paid the ORG \$50,000,  
10 but denies that the ORG has ever demanded payment of \$50,000,  
11 denies that he owes \$50,000 to the ORG for anything and denies  
12 that whatever he has done at any time was a breach of the  
13 agreement. The agreement is illegal and against public policy and  
14 the ORG has by its own acts sacrificed any right it ever may have  
15 had to enforce any of its provisions.

16 32. In answering the averments contained in this paragraph  
17 wherein CSI adopts by reference paragraphs 1 through 16, 18  
18 through 25 and 27 through 31 of its averments, Armstrong admits,  
19 denies and avers to the same effect and in the same manner as he  
20 admitted, denied and averred with respect to those specific  
21 paragraphs as previously set forth in this answer.

22 33. Armstrong admits the averments of this paragraph.

23 34. Armstrong admits that in August 1991 he began working in  
24 Ford Greene's office and that his paralegal duties at that time  
25 involved work on the Aznaran case. Armstrong denies that  
26 thereafter the Aznarans hired John Elstead. Armstrong admits that  
27 his employment in Greene's office has continued to the present,  
28 but he denies that his activities constitute a daily and

1 continuing breach of any contract. The ORG's bargain has been  
2 rendered a nullity, because it is the ORG which has, through its  
3 attacks on Armstrong, its overweening reliance on Fair Game and  
4 similar antisocial policies, and its attempt to force upon the  
5 world an agreement illegal in the first place, done it to itself.

6 35. Armstrong denies each and every averment of this  
7 paragraph.

8 36. In answering the averments contained in this paragraph  
9 wherein CSI adopts by reference paragraphs 1 through 16, 18  
10 through 25, 27 through 31 and 33 through 35 of its averments,  
11 Armstrong admits, denies and avers to the same effect and in the  
12 same manner as he admitted, denied and averred with respect to  
13 those specific paragraphs as previously set forth in this answer.

14 37. Armstrong admits the averments of this paragraph except  
15 that he denies that any of his actions are violations of the  
16 agreement and that he is required to pay the ORG one penny in  
17 liquidated damages.

18 38. Armstrong admits that he has not paid the ORG \$50,000,  
19 but denies that the ORG ever made a demand for \$50,000 and denies  
20 that whatever he has done is a breach of the agreement.

21 39. In answering the averments contained in this paragraph  
22 wherein CSI adopts by reference paragraphs 1 through 16, 18  
23 through 25, 27 through 31, 33 through 35 and 37 and 38 of its  
24 averments, Armstrong admits, denies and avers to the same effect  
25 and in the same manner as he admitted, denied and averred with  
26 respect to those specific paragraphs as previously set forth in  
27 this answer.

28 40. Armstrong admits the averments of this paragraph except



1 that he denies that the press release violated the agreement and  
2 that the press release constituted disclosures of his experiences  
3 with Scientology. Statements containing the same facts and  
4 similar language are contained in the public file in this case in  
5 which the ORG has sued Armstrong; therefore there is in the press  
6 release no disclosure. Moreover, the ORG, by itself using  
7 Armstrong's experiences in its litigations and to attack Armstrong  
8 after the settlement lost any right it may have once had to  
9 complain of Armstrong's discussing his experiences to counter its  
10 attacks. The agreement's confidentiality provisions are  
11 antithetical to civilized conduct, impossible to perform, contrary  
12 to public policy and illegal.

13 41. Armstrong admits the averments of this paragraph except  
14 that he denies that the distribution of the press release violated  
15 the provisions of the agreement. By suing Armstrong publicly, by  
16 attacking him publicly and by making public itself the conditions  
17 of the agreement, including filing the agreement in open court,  
18 the ORG waived any right it may have once had to object to  
19 Armstrong's public discussion of the litigation or the agreement  
20 it concerned. The agreement, moreover, is illegal; therefore it  
21 is unenforceable and Armstrong is not bound by any part of it.

22 42. Armstrong denies each and every averment of this  
23 paragraph.

24 43. In answering the averments contained in this paragraph  
25 wherein CSI adopts by reference paragraphs 1 through 16, 18  
26 through 25, 27 through 31, 33 through 35, 37, 38 and 40 through 42  
27 of its averments, Armstrong admits, denies and avers to the same  
28 effect and in the same manner as he admitted, denied and averred

1 with respect to those specific paragraphs as previously set forth  
2 in this answer.

3 44. Armstrong admits that on March 20, 1992 he and Greene  
4 granted the media interviews, but denies that such interviews were  
5 additional. Armstrong denies that any such interviews violated  
6 any part of the agreement. Armstrong admits that he stated that  
7 he is an expert in the misrepresentations Hubbard made about  
8 himself from the beginning of Dianetics until the day he died.  
9 Armstrong admits that he is such an expert. Armstrong lacks the  
10 information and knowledge sufficient to form a belief as to the  
11 truth of the averment in this paragraph that Exhibit C to the  
12 ORG's complaint is a true and correct transcription of the CNN  
13 broadcast and is therefore unable to admit or deny the same.

14 45. Armstrong denies each and every averment of this  
15 paragraph.

16 46. In answering the averments contained in this paragraph  
17 wherein CSI adopts by reference paragraphs 1 through 16, 18  
18 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42  
19 and 44 and 45 of its averments, Armstrong admits, denies and avers  
20 to the same effect and in the same manner as he admitted, denied  
21 and averred with respect to those specific paragraphs as  
22 previously set forth in this answer.

23 47. Armstrong admits that he agreed to appear voluntarily as  
24 an expert witness in the Hunziker case. He denies that his  
25 expertise is alleged and denies that his expertise is such that it  
26 should be set off in the ORG's complaint in quotation marks. He  
27 denies that his expertise is in Scientology, but rather in the  
28 fraud of Scientology and the ORG's doctrine of Fair Game.

1 Armstrong admits that the World Institute of Scientology  
2 Enterprises, Inc. is named as a defendant in the Hunziker case,  
3 admits that it is an ORG dominated entity, but denies that it, nor  
4 any other ORG entity, is protected by the agreement.

5 48. Armstrong admits that he met with Rummonds and Elstead,  
6 attorneys for plaintiffs in the Hunziker case, but denies that he  
7 discussed his experiences with any entities protected by the  
8 agreement. Armstrong denies that any entities are protected by  
9 the agreement because it is unenforceable on its face and,  
10 moreover, has been rendered void by the ORG's post-settlement  
11 attacks on Armstrong and its illegal efforts at enforcement.  
12 Armstrong admits that he agreed to appear for plaintiffs as an  
13 expert on the aspects of Scientology practices and beliefs of  
14 fraud and Fair Game.

15 49. Armstrong admits the averments of this paragraph except  
16 that he denies that he testified at length concerning CSI or any  
17 other ORG affiliated entities and individuals protected by the  
18 agreement, because no entities or individuals are protected by the  
19 agreement due to the ORG's acts to contravene it.

20 50. Armstrong admits that he produced documents during his  
21 March 3, 1992 deposition but denies that there are any documents  
22 referred to in paragraph 46 of the ORG's complaint. Armstrong  
23 denies moreover that any documents he produced at the deposition  
24 were in violation of any agreement.

25 51. Armstrong admits that he appeared for a deposition on or  
26 about March 12, 1992 in the Hunziker case. He denies that he  
27 claimed he had been given a subpoena not by the deposing attorney.  
28 Armstrong admits that he said he had been given a deposition

1 subpoena by attorney Elstead and that Elstead had filled out the  
2 subpoena that morning. Armstrong admits that he refused to  
3 produce the subpoena, but lacks the information or knowledge to  
4 admit or deny the averment that it was not served on any of the  
5 parties to the case. Armstrong admits that he delivered documents  
6 to Elstead on or about March 8, 1992 and requested that he be  
7 served with a subpoena, but denies that his delivery of documents  
8 was in violation of the agreement.

9 52. Armstrong lacks the information or knowledge sufficient  
10 to form a belief as to what the ORG learned in April 1992 so as to  
11 that averment he cannot either admit or deny this allegation.  
12 Armstrong does deny that he reacquired any documents which he had  
13 previously returned to the ORG. And he denies that he produced  
14 any such documents either to Elstead or to opposing counsel at any  
15 time.

16 53. Armstrong denies each and every averment of this  
17 paragraph.

18 54. In answering the averments contained in this paragraph  
19 wherein CSI adopts by reference paragraphs 1 through 16, 18  
20 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42,  
21 44, 45 and 47 through 52 of its averments, Armstrong admits,  
22 denies and avers to the same effect and in the same manner as he  
23 admitted, denied and averred with respect to those specific  
24 paragraphs as previously set forth in this answer.

25 55. Armstrong denies each and every averment of this  
26 paragraph except that he did testify on or about April 7, 1992 in  
27 the Yanny case. The ORG compelled Armstrong to testify on that  
28 date in that case. The ORG filed the agreement publicly months

1 before this deposition, and the ORG had forced Armstrong to file  
2 the agreement in the Court of Appeal, which sua sponte, unsealed  
3 it, because of the ORG's efforts to make him a party to its  
4 subversion of the justice system. The ORG, moreover, divulged the  
5 contents of the agreement at least as early as 1989, thus giving  
6 up any right it may have had to keep it confidential.

7 56. Armstrong denies each and every averment of this  
8 paragraph.

9 57. In answering the averments contained in this paragraph  
10 wherein CSI adopts by reference paragraphs 1 through 16, 18  
11 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42,  
12 44, 45, 47 through 52 and 55 of its averments, Armstrong admits,  
13 denies and avers to the same effect and in the same manner as he  
14 admitted, denied and averred with respect to those specific  
15 paragraphs as previously set forth in this answer.

16 58. Armstrong denies each and every averment of this  
17 paragraph.

18 59. Armstrong admits that he gave a declaration in the  
19 Aznaran litigation on August 26, 1991, but denies that his action  
20 was a violation of any provision of the agreement.

21 60. Armstrong admits that his declaration attached as  
22 exhibits the two documents referred to in paragraph 58 of the  
23 ORG's complaint, but denies that said attachment was in breach of  
24 any provisions of the agreement.

25 61. Armstrong denies each and every averment of this  
26 paragraph.

27 62. Armstrong denies each and every averment of this  
28 paragraph.

1           63. In answering the averments contained in this paragraph  
2 wherein CSI adopts by reference paragraphs 1 through 16, 18  
3 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42,  
4 44, 45, 47 through 52, 54, 55 and 58 through 60 of its averments,  
5 Armstrong admits, denies and avers to the same effect and in the  
6 same manner as he admitted, denied and averred with respect to  
7 those specific paragraphs as previously set forth in this answer.

8           64. Armstrong lacks the information or knowledge sufficient  
9 to form a belief as to what the ORG learned in March 1992 so as to  
10 that averment he cannot either admit or deny.

11           65. Armstrong denies each and every averment of this  
12 paragraph.

13           66. Armstrong denies each and every averment of this  
14 paragraph. He denies moreover that his giving voluntary  
15 assistance to anyone not only does not harm the ORG but assists  
16 the ORG, and that such voluntary assistance to anyone cannot be  
17 proscribed by any agreement, and that any agreement which attempts  
18 to proscribe voluntary assistance is against public policy,  
19 violative of the Constitutional right to freedom of speech,  
20 association, press and religion, and is unenforceable.

21           67. In answering the averments contained in this paragraph  
22 wherein CSI adopts by reference paragraphs 1 through 16, 18  
23 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42,  
24 44, 45, 47 through 52, 54, 55, 58 through 60 and 64 and 65 of its  
25 averments, Armstrong admits, denies and avers to the same effect  
26 and in the same manner as he admitted, denied and averred with  
27 respect to those specific paragraphs as previously set forth in  
28 this answer.

1           68. Armstrong admits the averments of this paragraph, but  
2 denies that ORG entities CSI, CSC and RTC are protected by the  
3 agreement, because they cannot be protected legally by an illegal  
4 contract and they have acted themselves to vitiate and waive  
5 whatever protection they might at one time have had, if any.

6           69. Armstrong admits that in his May 27, 1992 declaration he  
7 did authenticate another declaration he had executed earlier.  
8 Armstrong lacks the information or knowledge sufficient to form a  
9 belief as to whether the transcript had at one time been ordered  
10 sealed in the earlier action between him and the ORG, so as to  
11 that averment he cannot either admit or deny. The transcript,  
12 however, has been a public document since 1982, and the tape  
13 recordings from which the transcript had originated have been  
14 found by the 9th Circuit Court of Appeals to contain evidence of  
15 criminal fraud and were released to the Criminal Investigation  
16 Division of the IRS. Armstrong denies that any of his acts are  
17 violations of any paragraphs of the agreement and denies that he  
18 is required to pay one cent to CSI.

19           70. Armstrong denies each and every averment of this  
20 paragraph.

21           71. In answering the averments contained in this paragraph  
22 wherein CSI adopts by reference paragraphs 1 through 16, 18  
23 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42,  
24 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65 and 68 and 69  
25 of its averments, Armstrong admits, denies and avers to the same  
26 effect and in the same manner as he admitted, denied and averred  
27 with respect to those specific paragraphs as previously set forth  
28 in this answer.





1 each and every allegation contained in paragraphs 1 through 16, 18  
2 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42,  
3 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65, 68, 69 and  
4 72 through 75 herein and allege as follows:

5 The complaint and each cause of action contained herein fails  
6 to state a cause of action against these defendants upon which  
7 relief can be granted.

8 SECOND AFFIRMATIVE DEFENSE

9 (This Court Cannot Enjoin The Practice Of A Profession)

10 78. Further answering said first amended complaint, and as a  
11 second, separate and affirmative defense thereto, these answering  
12 defendants allege as follows:

13 Any attempt by plaintiff to limit the ability to obtain  
14 gainful employment by these answering defendants, or any of them,  
15 is void and unenforceable as a matter of public policy, and  
16 constitutes an unenforceable restraint on the right of defendants,  
17 or any of them, to pursue their chosen profession.

18 THIRD AFFIRMATIVE DEFENSE

19 (Unclean Hands)

20 79. Further answering said first amended complaint, and as a  
21 third, separate and affirmative defense thereto, these answering  
22 defendants repeat, reallege and incorporate by reference herein  
23 each and every allegation contained in paragraphs 1 through 16, 18  
24 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42,  
25 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65, 68, 69, 72  
26 through 75, 77, 78, and 80 through 88 herein and allege as  
27 follows:

28 Plaintiff is barred from bringing this action against these

1 defendants and/or obtaining the equitable relief requested herein  
2 under the doctrine of unclean hands.

3 FOURTH AFFIRMATIVE DEFENSE

4 (In Pari Delicto)

5 80. Further answering said first amended complaint, and as a  
6 fourth, separate and affirmative defense thereto, these answering  
7 defendants repeat, reallege and incorporate by reference herein  
8 each and every allegation contained in paragraphs 1 through 16, 18  
9 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42,  
10 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65, 68, 69, 72  
11 through 75, 77 through 79, and 81 through 88, herein and allege as  
12 follows:

13 Notwithstanding the things alleged of defendants in the  
14 complaint, which are denied in the applicable paragraphs herein,  
15 plaintiffs' and its counsels' conduct in connection with the  
16 events giving rise to this action bars plaintiff from recovery  
17 with regard to the complaint under the doctrine of in pari  
18 delicto.

19 FIFTH AFFIRMATIVE DEFENSE

20 (Illegality)

21 81. Further answering said first amended complaint, and as a  
22 fifth, separate and affirmative defense thereto, these answering  
23 defendants repeat, reallege and incorporate by reference herein  
24 each and every allegation contained in paragraphs 1 through 16, 18  
25 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42,  
26 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65, 68, 69, 72  
27 through 75, 77 through 80, and 82 through 88, herein and allege as  
28 follows:

1 Plaintiff is barred from bringing this action as a result of  
2 its acts of illegality in connection with matters that give rise  
3 to this case. Particularly plaintiff and other Scientology-  
4 related entities engaged in a wholesale attempt to obstruct  
5 justice, suppress evidence in order to deny redress, due process,  
6 and equal protection of the law to its civil and criminal victims  
7 by means of obtaining settlements of litigation in actions in  
8 various state and federal courts across the United States. In  
9 each of those actions attorney Michael J. Flynn was attorney of  
10 record, or coordinating counsel for litigants adverse to  
11 Scientology. In each of those actions litigants adverse to  
12 Scientology were coerced into signing secret settlement agreements  
13 the terms of which were substantially similar to those set forth  
14 in the settlement agreement at issue herein.

15 Plaintiff is further barred from bringing this action because  
16 as a material part of entering the settlement agreement with  
17 defendant, plaintiff required defendant's counsel, Michael Flynn,  
18 to sign secret side agreements for indemnification for resolution  
19 of the retrial of Armstrong I were plaintiff and other  
20 Scientology-related entities successful in obtaining reversal of  
21 Judge Breckenridge's decision on appeal. In such agreement  
22 Scientology promised to limit its collections of damages to  
23 \$25,001.00 and to indemnify Flynn for the payment thereof and  
24 Flynn, in turn, would indemnify Armstrong for any such judgment.  
25 The existence of these secret, side agreements were never  
26 disclosed to Armstrong by Flynn, plaintiff, or other Scientology-  
27 related entities.

28 Plaintiff is further barred from bringing this action because

1 as a material part of entering said settlement agreements, it or  
2 its agents required attorney Flynn to promise never to take any  
3 anti-Scientology cases in the future. Thereafter, although Flynn  
4 has refused to provide any declarations for defendant Armstrong,  
5 he has been willing to provide documentary assistance to  
6 Scientology.

7 Plaintiff is further barred from bringing this action as a  
8 result of its acts of illegality in connection with the commission  
9 of acts giving rise to the action entitled Aznaran v. Church of  
10 Scientology of California, Case No C88-1786 JMI (Ex) in the United  
11 States District Court for the Central District of California (the  
12 "Aznaran case"); conduct by plaintiff, its counsel and others,  
13 including but not limited to the making of certain settlement  
14 proposals to Barry Van Sickle, Esq., for direct communication to  
15 Vicki and Richard Aznaran ("the Aznarans") knowing that Van Sickle  
16 had been disqualified from representing the Aznarans, and knowing  
17 that the Aznarans at the time were represented by Ford Greene and  
18 participating in conduct which resulted in the Aznarans (in hopes  
19 of facilitating settlement and in accordance with plaintiff's  
20 conditions) dismissing their counsel, Ford Greene, whereupon while  
21 the Aznarans were in pro per, plaintiff withdrew any offer of  
22 settlement and commenced loading up the record with voluminous,  
23 sophisticated and dispositive motions, including but not limited  
24 to two for summary judgment. In consequence thereof defendant  
25 Armstrong only provided aid and assistance to counsel whom the  
26 Aznarans subsequently employed for the purpose of preserving their  
27 rights to redress, due process and equal protection of the law.

28 Furthermore, other acts of illegality by plaintiff and other

1 Scientology-related entities have been publicly documented.  
2 Plaintiffs have engaged in acts of impropriety, as set forth  
3 above, and including what the District Court in the Aznaran case  
4 referred to in a written order, entered after most of the events  
5 in issue herein, as "outrageous litigation tactics." Also, in  
6 addition to the Flynn settlement agreements the conduct of  
7 plaintiff and other Scientology-related organizations, entities  
8 and individuals against persons "adverse to Scientology" including  
9 citizens, counsel, judges and government authorities (including  
10 but not limited to illegal surveillance, obtaining telephone  
11 company records, breaking and entering, threatening conduct, and  
12 violence) have discouraged and intimidated knowledgeable persons  
13 from disclosing their knowledge about, or otherwise coming forward  
14 against, the illegal activities of plaintiff and other  
15 Scientology-related organizations, entities and individuals, and  
16 from assisting victims thereof to obtain redress, due process and  
17 equal protection of the law.

18 SIXTH AFFIRMATIVE DEFENSE

19 (Fraud and Deceit)

20 82. Further answering said first amended complaint, and as a  
21 sixth, separate and affirmative defense thereto, these answering  
22 defendants repeat, reallege and incorporate by reference herein  
23 each and every allegation contained in paragraphs 1 through 16, 18  
24 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42,  
25 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65, 68, 69, 72  
26 through 75, and 81 through 88, herein and allege as follows:

27 Plaintiff is barred from bringing this action against these  
28 defendants, and each of them, because of its fraud and deceit in

1 representing to defendants, and each of them, that its management  
2 had changed and no longer would engage in illegal activities, that  
3 it wanted to buy peace, that it would leave defendants, and each  
4 of them alone, and that the false affidavit that it required  
5 Armstrong to sign as a condition of the settlement would be  
6 disclosed only if Armstrong attacked the ORG. Plaintiff made the  
7 foregoing representations to defendants, and each of them, with  
8 knowledge of the falsity thereof at the time said representations  
9 were made and with the intent to deceive defendants, and each of  
10 them, who actually and justifiably relied on those material  
11 misrepresentations to their injury by signing the settlement  
12 agreement. In fact, plaintiff and other Scientology-related  
13 organizations, entities and individuals never intended to cease  
14 their illegal and immoral activities, never intended to buy peace  
15 with defendants, and each of them, never intended to leave  
16 Armstrong alone, never intended not to use the false declaration  
17 only if Armstrong attacked the ORG, and never intended to abide by  
18 the terms of the settlement agreement. Rather plaintiff and other  
19 Scientology-related entities intended to use the settlement  
20 agreement as a tool for the implementation of the Fair Game Policy  
21 and Scientology's litigation tactics so as to engineer a reversal  
22 of Judge Breckenridge's decision in Armstrong I, to collusively  
23 resolve any re-trial of Armstrong I, to obtain possession of the  
24 so-called MCCS tapes which were evidence of Scientology employing  
25 attorneys for the purpose of committing future crimes and frauds,  
26 to use the false declaration in other litigation without regard to  
27 Armstrong's conduct, and to otherwise obstruct justice and  
28 suppress evidence of facts which discredited plaintiff and other

1 Scientology-related entities.

2 Said Fair Game Policy states that any enemy of Scientology  
3 "[m]ay be deprived of property or injured by any means  
4 by any Scientologist without any discipline of the  
5 Scientologist. May be tricked, sued or lied to or  
6 destroyed."

7 Scientology's litigation strategy is as follows:

8 "The law can be used very easily to harass, and enough  
9 harassment on somebody who is simply on the thin edge  
10 anyway, well knowing that he is not authorized, will  
11 generally be sufficient to cause his professional  
12 decease. If possible, of course, ruin him utterly."

13 From the outset, prior to the execution of the settlement  
14 agreement with defendant, and the execution of all other Flynn  
15 settlement agreements, it was the intent of plaintiff and other  
16 Scientology-related organizations, entities and individuals to  
17 continue to wage war on and harass Armstrong, to continue to  
18 engage in illegal activities and conduct, and to suppress evidence  
19 and obstruct justice by means of said agreements and to use said  
20 agreements as a tool of Fair Game and the litigation strategy of  
21 ruin in order to ensure that information regarding Scientology's  
22 crimes and civil misconduct would stay suppressed, and its  
23 criminal and civil victims would be denied legal redress and  
24 justice.

25 Moreover, Flynn advised Armstrong that he would always be  
26 available in the future to represent Armstrong if Armstrong had to  
27 litigate with the ORG in the future. Said statement was false and  
28 misleading because Flynn had signed an agreement with the ORG

1 promising not to represent anti-ORG litigants in the future.  
2 Armstrong relied on the truth of Flynn's statement in signing the  
3 settlement agreement.

4 SEVENTH AFFIRMATIVE DEFENSE

5 (Estoppel)

6 83. Further answering said first amended complaint, and as a  
7 seventh, separate and affirmative defense thereto, these answering  
8 defendants repeat, reallege and incorporate by reference herein  
9 each and every allegation contained in paragraphs 1 through 16, 18  
10 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42,  
11 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65, 68, 69, 72  
12 through 75, 81, 82 and 84 through 88, herein and allege as  
13 follows:

14 Plaintiff is equitably estopped from asserting each and all  
15 of the purported causes of action in the complaint by reason of  
16 its own acts, omissions, and conduct, or that of its agents,  
17 including, but not limited to the fact that it violated the  
18 settlement agreement in that it or its agents provided information  
19 from Armstrong I that was the subject of the settlement agreement  
20 to various persons and in various litigation including but not  
21 limited to The London Sunday Times, The Los Angeles Times, the  
22 instant litigation, the Corydon litigation, and in Church of  
23 Scientology of California v. Russell Miller and Penguin Books  
24 Limited in the High Court of Justice, Case No. 6140 in London,  
25 England, where a Scientology-related entity filed multiple  
26 affidavits attacking defendant Armstrong.

27 As yet a further basis for barring plaintiff on the ground of  
28 estoppel, defendant has requested plaintiff and other Scientology-



1 related entities to release Flynn and his other former attorneys  
2 from the agreements they signed never to represent Armstrong  
3 again, and plaintiff and said entities have refused to do so.

4 EIGHTH AFFIRMATIVE DEFENSE

5 (Waiver)

6 84. Further answering said first amended complaint, and as  
7 an eighth, separate and affirmative defense thereto, these  
8 answering defendants repeat, reallege and incorporate by reference  
9 herein each and every allegation contained in paragraphs 1 through  
10 16, 18 through 25, 27 through 31, 33 through 35, 37, 38, 40  
11 through 42, 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65,  
12 68, 69, 72 through 75, 81, 82, and 83, herein and allege as  
13 follows:

14 Plaintiff is barred from bringing this action against these  
15 defendants, and each of them, by reason of their own acts,  
16 omissions and conduct, or that of its agents.

17 NINTH AFFIRMATIVE DEFENSE

18 (Mistake Of Law)

19 85. Further answering said first amended complaint, and as a  
20 ninth, separate and affirmative defense thereto, these answering  
21 defendants repeat, reallege and incorporate by reference herein  
22 each and every allegation contained in paragraphs 1 through 16, 18  
23 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42,  
24 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65, 68, 69, 72  
25 through 75, 81 through 84, and 86 through 88, herein and allege as  
26 follows:

27 Plaintiff is barred from bringing this action against these  
28 defendants, and each of them, because defendant Armstrong's former

1 attorney, Michael Flynn, advised said defendant that the  
2 provisions of the settlement agreement that plaintiff is seeking  
3 to enforce herein were not in any way enforceable. Armstrong  
4 relied on such representations, but for which he would not have  
5 signed said settlement agreement.

6 TENTH AFFIRMATIVE DEFENSE

7 (Mistake Of Fact)

8 86. Further answering said first amended complaint, and as a  
9 tenth, separate and affirmative defense thereto, these answering  
10 defendants repeat, reallege and incorporate by reference herein  
11 each and every allegation contained in paragraphs 1 through 16, 18  
12 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42,  
13 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65, 68, 69, 72  
14 through 75, 81 through 85, 87, and 88, herein and allege as  
15 follows:

16 Plaintiff is barred from bringing this action against these  
17 defendants, and each of them, because defendant Armstrong's former  
18 attorney, Michael Flynn, advised said defendant that the  
19 provisions of the settlement agreement that plaintiff is seeking  
20 to enforce herein were not in any way enforceable. Armstrong  
21 relied on such representations, but for which he would not have  
22 signed said settlement agreement.

23 ELEVENTH AFFIRMATIVE DEFENSE

24 (Conflict of Interest)

25 87. Further answering said first amended complaint, and as a  
26 tenth, separate and affirmative defense thereto, these answering  
27 defendants repeat, reallege and incorporate by reference herein  
28 each and every allegation contained in paragraphs 1 through 16, 18

1 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42,  
2 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65, 68, 69, 72  
3 through 75, 81 through 86, and 88, herein and allege as follows:

4 Plaintiff is barred from bringing this action against these  
5 defendants, and each of them, because defendant Armstrong's former  
6 attorney, Michael Flynn, in conjunction with settling Armstrong's  
7 case against Scientology-related entities, also settled 30 other  
8 cases, including cases of his own against Scientology-related  
9 defendants without procuring outside counsel for defendant.

10 TWELFTH AFFIRMATIVE DEFENSE

11 (Duress and Undue Influence)

12 88. Further answering said first amended complaint, and as a  
13 Twelfth, separate and affirmative defense thereto, these answering  
14 defendants repeat, reallege and incorporate by reference herein  
15 each and every allegation contained in paragraphs 1 through 16, 18  
16 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42,  
17 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65, 68, 69, 72  
18 through 75, 81 through 87, herein and allege as follows:

19 Plaintiff is barred from bringing this action against these  
20 defendants, and each of them, because plaintiff and other  
21 Scientology-related organizations, entities and individuals had  
22 implemented Fair Game Policy stratagems on defendant Armstrong's  
23 attorney, Michael J. Flynn and upon other anti-Scientology  
24 litigants and would continue such conduct against all such persons  
25 unless all said anti-Scientology litigants, including Flynn,  
26 signed settlement agreements substantially similar to that signed  
27 by defendant Armstrong.

28 Further, in early December 1986, attorney Flynn and other

1 anti-Scientology litigants, postured Armstrong as a deal breaker,  
2 by stating that their desires to settle would be ruined unless  
3 defendant Armstrong agreed to settle and led him to believe if he  
4 did not sign the agreement, they would not cooperate in such event  
5 by acting as Armstrong's witnesses and zealous advocate on the  
6 trial of his cross-complaint against Scientology set to commence  
7 shortly thereafter in Armstrong I.

8 THIRTEENTH AFFIRMATIVE DEFENSE

9 (Laches)

10 89. Further answering said first amended complaint, and as a  
11 thirteenth, separate and affirmative defense thereto, these  
12 answering defendants allege as follows:

13 Plaintiff is barred from bringing this action against these  
14 defendants, and each of them, on the grounds of laches.

15 FOURTEENTH AFFIRMATIVE DEFENSE

16 (Impossibility)

17 90. Further answering said first amended complaint, and as a  
18 fourteenth, separate and affirmative defense thereto, these  
19 answering defendants allege as follows:

20 Plaintiff is barred from bringing this action against these  
21 defendants, and each of them, on the grounds of impossibility.

22 FIFTEENTH AFFIRMATIVE DEFENSE

23 (Frustration of Contractual Purpose)

24 91. Further answering said first amended complaint, and as a  
25 fifteenth, separate and affirmative defense thereto, these  
26 answering defendants allege as follows:

27 Plaintiff is barred from bringing this action against these  
28 defendants, and each of them, on the grounds of frustrating

1 defendants', and each of their, ability to perform the terms of  
2 the settlement agreement.

3  
4 SIXTEENTH AFFIRMATIVE DEFENSE

5 (Unfair and Unreasonable Contract)

6 92. Further answering said first amended complaint, and as a  
7 sixteenth separate and affirmative defense thereto, these  
8 answering defendants allege as follows:

9 Plaintiff is barred from bringing this action against these  
10 defendants, and each of them, on the grounds that the settlement  
11 agreement is unreasonable and unfair as to defendant Armstrong.

12 SEVENTEENTH AFFIRMATIVE DEFENSE

13 (Lack of Mutuality)

14 93. Further answering said first amended complaint, and as a  
15 seventeenth, separate and affirmative defense thereto, these  
16 answering defendants allege as follows:

17 Plaintiff is barred from bringing this action against these  
18 defendants, and each of them, on the grounds that the settlement  
19 agreement, as interpreted by plaintiff, lacks in reciprocity and  
20 mutuality.

21 EIGHTEENTH AFFIRMATIVE DEFENSE

22 (Ambiguity)

23 94. Further answering said first amended complaint, and as a  
24 eighteenth, separate and affirmative defense thereto, these  
25 answering defendants allege as follows:

26 Plaintiff is barred from bringing this action against these  
27 defendants, and each of them, on the grounds that the settlement  
28 agreement is ambiguous and incapable of enforcement.



1 answering defendants allege as follows:

2 Plaintiff is barred from bringing this action against these  
3 defendants, and each of them, on the grounds that the settlement  
4 agreement would work an unfair hardship on defendants, and each of  
5 them.

6 TWENTY-THIRD AFFIRMATIVE DEFENSE

7 (Offset)

8 99. Further answering said first amended complaint, and as a  
9 twenty-third, separate and affirmative defense thereto, these  
10 answering defendants allege as follows:

11 Any damages that plaintiff has suffered in consequence of the  
12 alleged conduct is exceeded by the damages suffered by defendants,  
13 and each of them, in consequence of the misconduct of plaintiff,  
14 and plaintiff's agents' acts of Fair Game and therefore plaintiff  
15 should take nothing.

16 TWENTY-FOURTH AFFIRMATIVE DEFENSE

17 (Liquidated Damages Act As Penalty)

18 100. Further answering said first amended complaint, and as a  
19 twenty-fourth, separate and affirmative defense thereto, these  
20 answering defendants allege as follows:

21 Plaintiff is barred from bringing this action against these  
22 defendants, and each of them, on the grounds that the settlement  
23 agreement's provision of liquidated damages is not an  
24 approximation of damage, but is intended to act and does act as a  
25 penalty.

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TWENTY-EIGHTH AFFIRMATIVE DEFENSE

(First Amendment - Association)

104. Further answering said first amended complaint, and as a twenty-eighth, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff is barred from bringing this action against these defendants, and each of them, on the grounds that the settlement agreement violates defendants', and each of them, right to freedom of association guaranteed by the state and federal constitutions.

TWENTY-NINTH AFFIRMATIVE DEFENSE

(Privacy)

105. Further answering said first amended complaint, and as a twenty-ninth, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff is barred from bringing this action against these defendants', and each of them, on the grounds that the settlement agreement violates defendants, and each of them, right of privacy guaranteed by the state and federal constitutions.

THIRTIETH AFFIRMATIVE DEFENSE

(Implied Covenant of Good Faith and Fair Dealing)

106. Further answering said first amended complaint, and as a thirtieth, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff is barred from bringing this action against these defendants, and each of them, on the grounds that the conduct of plaintiff and its agents violates the implied covenant of good faith and fair dealing.

///



1 Plaintiff's complaint, and plaintiff's claims for equitable  
2 relief and for damages, are barred by the doctrine of collateral  
3 estoppel.

4 THIRTY-FOURTH AFFIRMATIVE DEFENSE

5 (Failure to Mitigate Damages)

6 110. Further answering said first amended complaint, and as a  
7 thirty-fourth, separate and affirmative defense thereto, these  
8 answering defendants allege as follows:

9 Plaintiff, and/or its agent, and/or its counsel, failed to  
10 take proper and reasonable steps to avoid or mitigate the damages  
11 alleged in the amended complaint, and to the extent of such  
12 failure to mitigate or to avoid, damages allegedly incurred by  
13 plaintiff, if any, should be reduced accordingly.

14 THIRTY-FIFTH AFFIRMATIVE DEFENSE

15 (Action Barred By Equity and Civil Code Provisions)

16 111. Further answering said first amended complaint, and as a  
17 thirty-fifth, separate and affirmative defense thereto, these  
18 answering defendants repeat, reallege and incorporate by reference  
19 herein each and every allegation contained in paragraphs 1 through  
20 16, 18 through 25, 27 through 31, 33 through 35, 37, 38, 40  
21 through 42, 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65,  
22 68, 69, 72 through 75, 81 through 88, herein and allege as  
23 follows:

24 Plaintiff is barred from judicial relief by the general  
25 principles of equity and the specific provisions of Part IV of the  
26 Civil Code, including but not limited to §§ 3512, 3517, 3519,  
27 3524, (without any admission of wrongdoing by defendants) and  
28 3533.

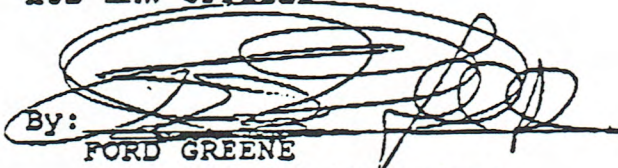


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Respectfully submitted,

DATED: October 7, 1992

HUB LAW OFFICES



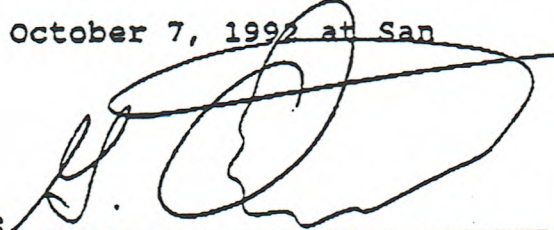
By:  
FORD GREENE  
Attorney for Defendant

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VERIFICATION

I, the undersigned, am one of the defendants in the above entitled action. I know the contents of the foregoing Amended Answer to Amended Complaint I certify that the same is true of my own knowledge, except as to the matters which are therein stated upon my information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct according to the laws of the State of California and that this declaration was executed on October 7, 1992 at San Anselmo, California.

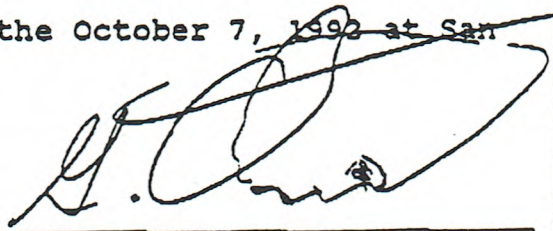
By:   
GERALD ARMSTRONG

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VERIFICATION

I, the undersigned, am an officer of defendant The Gerald Armstrong Corporation in the above entitled action. I know the contents of the foregoing Amended Answer to Amended Complaint I certify that the same is true of my own knowledge, except as to the matters which are therein stated upon my information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct according to the laws of the State of California and that this declaration was executed on the October 7, 1992 at San Anselmo, California.

By:   
GERALD ARMSTRONG

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PROOF OF SERVICE

I am employed in the County of Marin, State of California. I am over the age of eighteen years and am not a party to the above entitled action. My business address is 711 Sir Francis Drake Boulevard, San Anselmo, California. I served the following documents: AMENDED ANSWER OF GERALD ARMSTRONG AND THE GERALD ARMSTRONG CORPORATION TO AMENDED COMPLAINT on the following person(s) on the date set forth below, by placing a true copy thereof enclosed in a sealed envelope with postage thereon fully prepaid to be placed in the United States Mail at San Anselmo, California:

Andrew Wilson, Esquire  
WILSON, RYAN & CAMPILONGO  
235 Montgomery Street, Suite 450  
San Francisco, California 94104

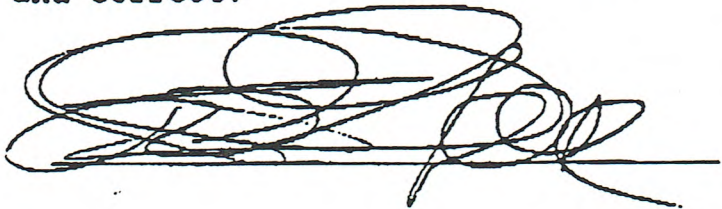
LAURIE J. BARTILSON, ESQ.  
Bowles & Moxon  
6255 Sunset Boulevard  
Suite 2000  
Los Angeles, California 90028

Graham E. Berry, Esquire  
LEWIS, D'AMATO, BRISBOIS & BISGAARD  
221 North Figueroa Street. Suite 1200  
Los Angeles, California 90012

PAUL MORANTZ, ESQ.  
P.O. Box 511  
Pacific Palisades, CA 90272

- (By Mail) I caused such envelope with postage thereon fully prepaid to be placed in the United States Mail at San Anselmo, California.
- (State) I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

DATED: October 7, 1992







## LAW &amp; MOTION, CIVIL CALENDAR

## RULINGS

TIME: 9:00

DATE: 1/27/95

DEPT: 1

JUDGE: GARY W. THOMAS

REPORTER: E. PASSARIS

CLERK: J. BENASSINI

CASE NO: 157680

TITLE OF ACTION: CHURCH OF SCIENTOLOGY V. GERALD ARMSTRONG

THE MOTION OF PLAINTIFF FOR SUMMARY ADJUDICATION OF ISSUES IS GRANTED AS TO THE FOURTH AND SIXTH CAUSES OF ACTION AND DENIED AS TO THE ELEVENTH CAUSE OF ACTION.

AS TO ALL CAUSES OF ACTION, DEFENDANT FAILS TO RAISE A TRIABLE ISSUE AS TO WHETHER THE LIQUIDATED DAMAGES PROVISION IS INVALID. DEFENDANT RELIES ON THE LAW AS IT EXISTED PRIOR TO JULY 1, 1978. (SEE UNITED SAV. & LOAN ASSN. V. REEDER DEV. CORP. (1976) 57 CAL.APP.3D 282 AND EARLIER VERSIONS OF CIV. CODE, §§ 1670 AND 1671.) THE LAW NOW PRESUMES THAT LIQUIDATED DAMAGES PROVISIONS ARE "VALID UNLESS THE PARTY SEEKING TO INVALIDATE THE PROVISION ESTABLISHES THAT THE PROVISION WAS UNREASONABLE UNDER THE CIRCUMSTANCES EXISTING AT THE TIME THE CONTRACT WAS MADE." (CIV. CODE, § 1671, SUBD. (b).) DEFENDANT'S EVIDENCE IS NOT SUFFICIENT TO RAISE A TRIABLE ISSUE IN THAT REGARD. ALTHOUGH DEFENDANT STATES IN HIS DECLARATION THAT HE WAS NOT INVOLVED IN NEGOTIATING THE PROVISION (SEE D'S EX. 1, ¶12), HE GOES ON TO STATE THAT HE DISCUSSED THE PROVISION WITH TWO ATTORNEYS BEFORE SIGNING THE AGREEMENT. (ID., ¶¶12-13.) THUS, HE CLEARLY KNEW OF THE PROVISION YET CHOSE TO SIGN IT. HE HAS NOT SHOWN THAT HE HAD UNEQUAL BARGAINING POWER OR THAT HE MADE ANY EFFORTS TO BARGAIN OR NEGOTIATE WITH RESPECT TO THE PROVISION. (SEE H. S. PERLIN CO. V. MORSE SIGNAL DEVICES (1989) 209 CAL.APP.3D 1289.) DEFENDANT NEXT STATES THAT PLAINTIFF'S ACTUAL DAMAGES ARE ZERO. (D'S EX. 1, ¶12.) HOWEVER, "THE AMOUNT OF DAMAGES ACTUALLY SUFFERED HAS NO BEARING ON THE VALIDITY OF THE LIQUIDATED DAMAGES PROVISION..." (SEE LAW REVISION COMMISSION COMMENT TO § 1671.) FINALLY, DEFENDANT POINTS TO THE FACT THAT OTHER SETTLEMENT AGREEMENTS CONTAIN A \$10,000 LIQUIDATED DAMAGES PROVISION. (SEE D'S EXS. 2C AND 2D.) THIS ALONE IS NOT SUFFICIENT TO RAISE A TRIABLE ISSUE IN THAT DEFENDANT HAS NOT SHOWN THAT CIRCUMSTANCES DID NOT CHANGE BETWEEN 12/86 AND 4/87 AND THAT THOSE SETTLING PARTIES STAND IN THE SAME OR SIMILAR POSITION TO DEFENDANT (I.E., THAT THEY WERE AS HIGH UP IN THE ORGANIZATION AND COULD CAUSE AS MUCH DAMAGE BY SPEAKING OUT AGAINST PLAINTIFF OR THAT THEY HAVE/HAD ACCESS TO AS MUCH INFORMATION AS DEFENDANT).

## LAW &amp; MOTION, CIVIL CALENDAR

## RULINGS

TIME: 9:00

DATE: 1/27/95

DEPT: 1

JUDGE: GARY W. THOMAS

REPORTER: E. PASSARIS

CLERK: J. BENASSINI

CASE NO: 157680

TITLE OF ACTION: CHURCH OF SCIENTOLOGY V. GERALD ARMSTRONG  
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DEFENDANT ALSO HAS NOT RAISED A TRIABLE ISSUE REGARDING DURESS. DEFENDANT'S OWN DECLARATION SHOWS HE DID NOT EXECUTE THE AGREEMENT UNDER DURESS IN THAT IT SHOWS THAT HE CAREFULLY WEIGHED HIS OPTIONS. (SEE D'S EX. 1, ¶10.) IT CERTAINLY DOES NOT SHOW THAT HE DID SOMETHING AGAINST HIS WILL OR HAD "NO REASONABLE ALTERNATIVE TO SUCCUMBING." (SEE IN RE MARRIAGE OF BALTINS (1989) 212 CAL.APP.3D 66, 84.) IN ADDITION, DEFENDANT IS RELYING ON THE CONDUCT OF A THIRD PARTY (FLYNN) TO ESTABLISH DURESS, YET HE SETS FORTH NO FACT OR EVIDENCE IN HIS SEPARATE STATEMENT SHOWING THAT PLAINTIFF HAD REASON TO KNOW OF THE DURESS. (SEE LEEPER V. BELTRAMI (1959) 53 CAL.2D 195, 206.)

AS TO THE FOURTH CAUSE OF ACTION, CONTRARY TO DEFENDANT'S ARGUMENT, THE SUBJECT DECLARATION DOES MORE THAN MERELY AUTHENTICATE DOCUMENTS. (SEE P'S EX. 1(A)(11), ¶¶1-3.) THE COURT FINDS THAT THE DECLARATION CONSTITUTES A DISCLOSURE OF DEFENDANT'S "EXPERIENCES WITH" PLAINTIFF OR "KNOWLEDGE OR INFORMATION" CONCERNING PLAINTIFF AND HUBBARD. (SEE P'S EX. 1B, ¶7D.) DEFENDANT FAILS TO RAISE A TRIABLE ISSUE REGARDING OBSTRUCTION OF JUSTICE/ SUPPRESSION OF EVIDENCE. THE SETTLEMENT AGREEMENT EXPRESSLY DOES NOT PROHIBIT DEFENDANT FROM DISCLOSING INFORMATION PURSUANT TO SUBPOENA OR OTHER LEGAL PROCESS. (SEE P'S EX. 1B, ¶7H; CONTRAST WITH PEN. CODE, §§ 136.1 AND 138, WILLIAMSON V. SUPERIOR COURT (1978) 21 CAL.3D 829, PEOPLE V. PIC'L (1982) 31 CAL.3D 731.) NOR IS PLAINTIFF IN THIS CAUSE OF ACTION SEEKING TO PROHIBIT DISCLOSURE TO GOVERNMENT AGENCIES CONDUCTING INVESTIGATIONS PURSUANT TO STATUTORY OBLIGATIONS. (CONTRAST WITH MARY R. V. B. & R. CORP. (1983) 149 CAL.APP.3D 308 AND ALLEN V. JORDANOS' INC. (1975) 52 CAL.APP.3D 160.) EVEN IF A PORTION OF THE AGREEMENT COULD BE CONSTRUED TO SO PROHIBIT (SEE, E.G., ¶10), PLAINTIFF IS NOT RELYING ON THAT SECTION. NOR HAS DEFENDANT SHOWN THAT THE PROVISION IS SO SUBSTANTIAL AS TO RENDER THE ENTIRE CONTRACT ILLEGAL. (CONTRAST WITH ALLEN, SUPRA, 52 CAL.APP.3D AT 166.)

SUPERIOR COURT, MARIN COUNTY, CALIFORNIA  
LAW & MOTION, CIVIL CALENDAR  
RULINGS

PAGE: 4-A

TIME: 9:00

DATE: 1/27/95

DEPT: 1

JUDGE: GARY W. THOMAS

REPORTER: E. PASSARIS

CLERK: J. BENASSINI

CASE NO: 157680

TITLE OF ACTION: CHURCH OF SCIENTOLOGY V. GERALD ARMSTRONG

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AS TO THE SIXTH CAUSE OF ACTION, DEFENDANT FAILS TO RAISE A TRIABLE ISSUE REGARDING THE CNN INTERVIEW. DEFENDANT ADMITTED IN HIS DEPOSITION THAT HIS CONVERSATION WITH CNN INVOLVED KNOWLEDGE HE HAD GAINED BECAUSE OF HIS YEARS OF EXPERIENCE WITH THE ORGANIZATION (P'S EX. 1A AT 344:1-4), THUS REFUTING HIS ARGUMENTS THAT HIS STATEMENT WAS BASED ON KNOWLEDGE ACQUIRED AFTER THE SETTLEMENT AGREEMENT AND THAT HIS INTERVIEW WAS DIRECTLY RELATED TO THE INSTANT LITIGATION. IN ADDITION, PLAINTIFF SET FORTH NO FACTS OR EVIDENCE IN HIS SEPARATE STATEMENT SHOWING THAT HE COULD DISCLOSE INFORMATION ACQUIRED AFTER EXECUTION OF THE SETTLEMENT AGREEMENT OR THAT HE COULD MAKE SUCH STATEMENTS IN THE CONTEXT OF FUTURE LITIGATION. FINALLY, THERE IS NOTHING IN THE STATEMENT WHICH TIES IT TO EITHER OF THE ARGUMENTS RAISED BY DEFENDANT. DEFENDANT ALSO FAILS TO RAISE A TRIABLE ISSUE REGARDING THE AMERICAN LAWYER INTERVIEW. DEFENDANT'S CLAIM THAT HE ONLY DISCUSSED THE INSTANT LITIGATION IS REFUTED BY HIS OWN ADMISSION THAT HE DISCUSSED "THE PLIGHT OF THE ORGANIZATION [AND] WHAT IT WOULD TAKE TO END ITS LEGAL TROUBLES." (D'S EX. 1D AT 352:15-19.) DEFENDANT'S CLAIM THAT HIS DISCUSSION INVOLVED "NOTHING MORE THAN WHAT JUDGE BRECKENRIDGE STATED IN HIS DECISION IN ARMSTRONG I" IS REFUTED BY HIS ADMISSION THAT HE DID NOT RECALL DISCUSSING THE BRECKENRIDGE OPINION WITH THE REPORTER. (D'S EX. 1D AT 358:20-23.) FURTHER, DEFENDANT POINTS TO NOTHING IN JUDGE BRECKENRIDGE'S OPINION WHICH COINCIDES TO THOSE MATTERS DISCUSSED BY DEFENDANT.

AS TO THE ELEVENTH CAUSE OF ACTION, PLAINTIFF HAS NOT SHOWN THAT DEFENDANT VIOLATED PARAGRAPH 7D OF THE SETTLEMENT AGREEMENT. THE DECLARATION RELIED ON BY PLAINTIFF (P'S EX. 1(A)(8)) DOES NOT DISCLOSE DEFENDANTS "EXPERIENCES WITH THE CHURCH OF SCIENTOLOGY [OR] ANY KNOWLEDGE OR INFORMATION HE MAY HAVE CONCERNING THE CHURCH OF SCIENTOLOGY..."

SUPERIOR COURT, MARIN COUNTY, CALIFORNIA  
LAW & MOTION, CIVIL CALENDAR  
RULINGS

PAGE: 4-A

TIME: 9:00

DATE: 1/27/95

DEPT: 1

JUDGE: GARY W. THOMAS

REPORTER: E. PASSARIS

CLERK: J. BENASSINI

CASE NO: 157680

TITLE OF ACTION: CHURCH OF SCIENTOLOGY V. GERALD ARMSTRONG

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DEFENDANT ARMSTRONG FILED A SUPPLEMENTAL DECLARATION AND EVIDENCE SIX DAYS LATE. THE COURT DID NOT PERMIT SAME. THE PLAINTIFF'S MOTION TO STRIKE THE SUPPLEMENTAL PAPERS FROM THE FILE IS GRANTED. PLAINTIFF'S REQUEST FOR SANCTIONS IS GRANTED. DEFENDANTS KNEW THE LATENESS OF THE FILING, SOME SIX DAYS. THERE WAS AMPLE TIME TO SEEK THE COURT'S PERMISSION FOR A LATE FILING. PERMISSION WAS NOT SOUGHT. SANCTIONS REQUESTED BY PLAINTIFF PURSUANT TO SECTION 437C(i) ARE GRANTED IN THE AMOUNT OF \$700, AS THE COURT FINDS THIS SIX-DAYS LATE FILING TO BE IN BAD FAITH.

TOTAL P.04

4331031 P.04

MARIN CIVIL SUPERIOR COURT

JAN 30 1995 10:10



IN THE COURT OF APPEAL OF THE STATE OF CALIFORNIA  
SECOND APPELLATE DISTRICT  
DIVISION FOUR

CHURCH OF SCIENTOLOGY INTERNATIONAL, )  
 )  
 Plaintiff and Respondent, )  
 )  
 v. )  
 )  
 GERALD ARMSTRONG, )  
 )  
 Defendant and Appellant. )  
 \_\_\_\_\_ )

No. B069450  
(Super.Ct.No. BC052395)

COURT OF APPEAL - SECOND DIST.  
**FILED**  
MAY 13 1994

JOSEPH W. LANE Clerk  
Deputy Clerk

APPEAL from an order of the Superior Court of  
Los Angeles County, Ronald M. Sohigian, Judge. Affirmed.

Ford Greene and Paul Morantz for Defendant and  
Appellant.

Bowles & Moxon, Karen D. Holly, Wilson, Ryan &  
Campilongo, Andrew H. Wilson, Rabinowitz, Boudin, Standard,  
Krinsky & Lieberman, Eric M. Lieberman, and Michael Lee  
Hertzberg for Plaintiff and Respondent.

Defendant and appellant Gerald Armstrong (Armstrong) appeals from an order granting a preliminary injunction restraining Armstrong from voluntarily giving assistance to other persons litigating or intending to litigate claims against plaintiff and respondent Church of Scientology International (Church).

The injunction was granted to enforce a settlement agreement in prior litigation between Armstrong and Church. In the settlement, Armstrong agreed he would not voluntarily assist other persons in proceedings against Church.

Armstrong does not deny violating his agreement but asserts numerous reasons why his agreement should not be enforceable. We conclude that the narrowly-limited preliminary injunction, which did not finally adjudicate the merits of Armstrong's claims, was not an abuse of the trial court's discretion to make orders maintaining the status quo and preventing irreparable harm pending the ultimate resolution of the merits.

#### FACTUAL AND PROCEDURAL BACKGROUND

Armstrong was a member of Church between 1969 and 1981. He became an insider of high rank, familiar with Church practices and documents. He became disillusioned and left Church in 1981. When he left, he took many Church documents with him.



## The Prior Action and Settlement

Church brought the prior action against Armstrong seeking return of the documents, injunctive relief against further dissemination of information contained in them, and imposition of a constructive trust. Mary Sue Hubbard, wife of Church founder L. Ron Hubbard, intervened asserting various torts against Armstrong. Armstrong filed a cross-complaint seeking damages for fraud, intentional infliction of emotional distress, libel, breach of contract, and tortious interference with contract.

Church's complaint and Hubbard's complaint in intervention were tried in 1984 by Judge Breckenridge. That trial led to a judgment, eventually affirmed on appeal, holding Armstrong's conversion of the documents was justified because he believed the conversion necessary to protect himself from Church's claims that he had lied about Church matters and L. Ron Hubbard. (Church of Scientology v. Armstrong (1991) 232 Cal.App.3d 1060, 1063, 1073.)

Armstrong's cross-complaint in that case was settled in December 1986 by the settlement agreement which is the subject of the injunction in the present case.

In the settlement agreement, the parties mutually released each other from all claims, except the then-pending appeal of Judge Breckenridge's decision on Church's complaint, which was expressly excluded. The settlement involved a number

of persons engaged in litigation against Church, all represented by Attorney Michael Flynn. As a result of the settlement, Armstrong was paid \$800,000. Armstrong's cross-complaint was dismissed with prejudice, as agreed, on December 11, 1986.

The portions of the settlement agreement most pertinent to this appeal are paragraphs 7-G, 7-H, and 10, in which Armstrong agreed not to voluntarily assist other persons intending to engage in litigation or other activities adverse to Church.<sup>1/</sup>

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1. "G. Plaintiff agrees that he will not voluntarily assist or cooperate with any person adverse to Scientology in any proceeding against any of the Scientology organizations, individuals, or entities listed in Paragraph 1 above. Plaintiff also agrees that he will not cooperate in any manner with any organizations aligned against Scientology. [¶] H. Plaintiff agrees not to testify or otherwise participate in any other judicial, administrative or legislative proceeding adverse to Scientology or any of the Scientology Churches, individuals or entities listed in Paragraph 1 above unless compelled to do so by lawful subpoena or other lawful process. Plaintiff shall not make himself amenable to service of any such subpoena in a manner which invalidates the intent of this provision. Unless required to do so by such subpoena, Plaintiff agrees not to discuss this litigation or his experiences with and knowledge of the Church with anyone other than members of his immediate family. As provided hereinafter in Paragraph 18(d), the contents of this Agreement may not be disclosed. [¶] . . . 10. Plaintiff agrees that he will not assist or advise anyone, including individuals, partnerships, associations, corporations, or governmental agencies contemplating any claim or engaged in litigation or involved in or contemplating any activity adverse to the interests of any entity or class of persons listed above in Paragraph 1 of this Agreement."

Paragraph 20 of the agreement authorizes its enforcement by injunction.

## The Present Action

In February 1992, Church filed a complaint in the present action alleging Armstrong's violation of the settlement agreement and seeking damages and injunctive relief.

In support of its motion for a preliminary injunction, Church presented evidence that since June 1991 Armstrong had violated the agreement by working as a paralegal for attorneys representing clients engaged in litigation against Church and by voluntarily and gratuitously providing evidence for such litigation. Armstrong worked as a paralegal for Attorney Joseph Yanny, who represented Richard and Vicki Aznaran in a multimillion dollar suit against Church in federal court. Armstrong also voluntarily provided declarations for use in the Aznarans' case. Armstrong thereafter worked for Attorney Ford Greene on the Aznaran and other Church related matters.

Armstrong did not deny the charged conduct but asserted the settlement agreement was not enforceable for various reasons, primarily that it was against public policy and that he signed it under duress.

## The Trial Court's Preliminary Injunction

The trial court granted a limited preliminary injunction, with exceptions which addressed Armstrong's

argument that the settlement agreement violated public policy by requiring suppression of evidence in judicial proceedings.

The court found that Armstrong voluntarily entered the settlement agreement for which he received substantial compensation, and that Armstrong was unlikely to prevail on his duress claim. The court found that Armstrong could contract as part of the settlement to refrain from exercising various rights which he would otherwise have. Balancing the interim harms to the parties, the court found that to the extent of the limited acts covered by the preliminary injunction, Church would suffer irreparable harm which could not be compensated by monetary damages, and harm for which monetary damages would be difficult to calculate. (Code Civ. Proc., § 526, subds. (a)(2), (a)(4), (a)(5).)

The court's order provides, in pertinent part:  
"Application for preliminary injunction is granted in part, in the following respects only. [¶] Defendant Gerald Armstrong, his agents, and persons acting in concert or conspiracy with him (excluding attorneys at law who are not said defendant's agents or retained by him) are restrained and enjoined during the pendency of this suit pending further order of court from doing directly or indirectly any of the following: [¶] Voluntarily assisting any person (not a governmental organ or entity) intending to make, intending to press, intending to arbitrate, or intending to litigate a claim against the persons

referred to in sec. 1 of the 'Mutual Release of All Claims and Settlement Agreement' of December, 1986 regarding such claim or regarding pressing, arbitrating, or litigating it. [¶]

Voluntarily assisting any person (not a governmental organ or entity) arbitrating or litigating a claim against the persons referred to in sec. 1 of the 'Mutual Release of All Claims and Settlement Agreement' of December, 1986."

The court provided the following exceptions to address Armstrong's public policy arguments: "The court does not intend by the foregoing to prohibit defendant Armstrong from: (a) being reasonably available for the service of subpoenas on him; (b) accepting service of subpoenas on him without physical resistance, obstructive tactics, or flight; (c) testifying fully and fairly in response to properly put questions either in deposition, at trial, or in other legal or arbitration proceedings; (d) properly reporting or disclosing to authorities criminal conduct of the persons referred to in sec. 1 of the 'Mutual Release of All Claims and Settlement Agreement' of December, 1986; or (e) engaging in gainful employment rendering clerical or paralegal services not contrary to the terms and conditions of this order."

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## DISCUSSION

The grant of a preliminary injunction does not adjudicate the ultimate rights in controversy between the parties. It merely determines that the court, balancing the relative equities of the parties, concludes that, pending a trial on the merits, the defendant should be restrained from exercising the right claimed. The purpose of the injunction is to preserve the status quo until a final determination of the merits of the action. (Continental Baking Co. v. Katz (1968) 68 Cal.2d 512, 528.)

The court considers two interrelated factors. The first is the likelihood the plaintiff will prevail at trial. The second is the interim harm the plaintiff is likely to sustain if the injunction is denied, as compared to the harm the defendant is likely to suffer if the injunction is granted. (Cohen v. Board of Supervisors (1985) 40 Cal.3d 277, 286.)

The decision to grant or deny a preliminary injunction rests in the discretion of the trial court. Accordingly, an appellate court's review on appeal from the granting of a preliminary injunction is very limited. The burden is on the appellant to make a clear showing that the trial court abused its discretion. (IT Corp. v. County of Imperial (1983) 35 Cal.3d 63, 69; Nutro Products, Inc. v. Cole Grain Co. (1992) 3

Cal.App.4th 860, 865.) Abuse of discretion means the trial court has exceeded the bounds of reason or contravened the uncontradicted evidence. (IT Corp. v. County of Imperial, supra, 35 Cal.3d at p. 69.)

Here, the trial court's memorandum decision reflects very careful consideration of the factors relevant to the granting of a preliminary injunction. The court weighed the relative harms to the parties and balanced the interests asserted by Armstrong. The court granted a limited preliminary injunction with exclusions protecting the countervailing interests asserted by Armstrong. We find no abuse of discretion. We cannot say that the trial court erred as a matter of law in weighing the hardships or in determining there is a reasonable probability Church would ultimately prevail to the limited extent reflected by the terms of the preliminary injunction.

Although Armstrong's "freedom of speech" is affected, it is clear that a party may voluntarily by contract agree to limit his freedom of speech. (See In re Steinberg (1983) 148 Cal.App.3d 14, 18-20 [filmmaker agreed to prior restraint on distribution of film]; ITT Telecom Products Corp. v. Dooley (1989) 214 Cal.App.3d 307, 319 [employee's agreement not to disclose confidential information; "it is possible to waive even First Amendment free speech rights by contract"]; Snepp v. United States (1980) 444 U.S. 507, 509, fn. 3 [book by CIA

employee subject to prepublication clearance by terms of his employment contract].)

The exceptions in the trial court's injunction assured that the injunction would not serve to suppress evidence in legal proceedings. The injunction expressly did not restrain Armstrong from accepting service of subpoenas, testifying fully and fairly in legal proceedings, and reporting criminal conduct to the authorities. (See Philippine Export & Foreign Loan Guarantee Corp. v. Chuidian (1990) 218 Cal.App.3d 1058, 1081-1082.) This contrasts with the stipulation in Mary R. v. B. & R. Corp. (1983) 149 Cal.App.3d 308, 315-316, cited by Armstrong, which prevented a party from disclosing misconduct to regulatory authorities.

This appeal is only from the granting of a preliminary injunction which expressly did not decide the ultimate merits. As limited by the trial court here, the preliminary injunction merely restrains, for the time being, Armstrong's voluntary intermeddling in other litigation against Church, in violation of his own agreement. We decline any extended discussion of Armstrong's shotgun-style brief, which offers more than a dozen separate contentions against enforcement. It suffices to say that Armstrong has not borne his burden on appeal to demonstrate a clear abuse of discretion.



DISPOSITION

The order granting a preliminary injunction is affirmed.

NOT TO BE PUBLISHED

VOGEL (C.S.), Acting P.J.

We concur:

HASTINGS, J.

KLEIN (Brett), J.\*

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\*Assigned by the Chairperson of the Judicial Council.

OFFICE OF THE CLERK  
COURT OF APPEALS  
STATE OF CALIFORNIA

SECOND APPELLATE DISTRICT  
JOSEPH A. LANE, CLERK

DIVISION: 4 DATE: 05/16/94

Bowles & Moxon  
Laurie J. Bartilson  
6255 Sunset Blvd  
Suite 2000  
Hollywood, CA. 90028

RE: Church of Scientology International  
vs.  
Armstrong, Gerald  
2 Civil B069450  
Los Angeles NO. BC052395



SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES

Date: August 16, 1994

Honorable DAVID A. HOROWITZ, Judge  
2 C. AGUIRRE, Deputy Sheriff, C.S.L.

S. ROBLES, Deputy Clerk  
LINDA NISHIMOTO #9147, Reporter, E/R Monitor

BC052395

(Parties and Counsel checked if present)

CHURCH OF SCIENTOLOGY, ETC

Counsel for Plaintiff

MICHAEL LEE HERTZBERG (x)  
LAURIE J. BARTILSON (x)

VS

GERALD ARMSTRONG, ET AL

Counsel for Defendant

FORD GREENE (x)

NO LEGAL FILE

NATURE OF PROCEEDINGS:

MOTION BY CROSS-DEFENDANT, CHURCH OF SCIENTOLOGY INTERNATIONAL, FOR SUMMARY ADJUDICATION OF THE SECOND AND THIRD CAUSES OF ACTION OF THE CROSS-COMPLAINT;

Motion for Summary Adjudication of a Cause of Action (SACA) GRANTED. No triable issues of material facts. The 2nd and 3rd Causes of Action have no merit. CCP 437c(f)(1).

3rd Cause of Action - Breach of Contract.

Undisputed Facts: #1-9, essentially Undisputed, Cross-Defendant has accurately described the provisions of the Agreement; #10, not sufficiently disputed, Undisputed; #11, Undisputed; #12, no sufficiently disputed, Undisputed; #13, Undisputed; #14, Undisputed; #15, not sufficiently disputed, Undisputed; #16, Undisputed.

The Agreement terms are clear and unambiguous. Cross-Complainant understood the terms and signed it. The duties and obligations of the Agreement are clearly stated. "Mutuality" and "reciprocal" duties cannot be read into the unambiguous terms of the Agreement.

There are no provisions in the Agreement prohibiting the Cross-Defendant from referring to Cross-Complainant with the press or in legal pleadings or declarations. Cross-Complainant's beliefs as to what the Agreement should have said, it's validity, or what his attorney said or did to him are not relevant. The Agreement itself acknowledges that no agreements or understandings have been made among the parties aside from those set forth in the Agreement.

2nd Cause of Action - Abuse of Process.

Undisputed Facts: #17, not sufficiently disputed, Undisputed; #18, not sufficiently disputed, Undisputed; #19, Disputed; #20, Disputed, not material; #21, not sufficiently disputed, Undisputed; #22, Undisputed; #23, Disputed as to time discovered by Church counsel; #24,

## SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES

Date: August 16, 1994

Honorable	DAVID A. HOROWITZ	, Judge	S. ROBLES	, Deputy Clerk
2a	C. AGUIRRE	, Deputy Sheriff	LINDA NISHIMOTO #9147	, Reporter
		, C.S.L.		, E/R Monitor

BC052395

(Parties and Counsel checked if present)

CHURCH OF SCIENTOLOGY, ETC

Counsel for  
PlaintiffMICHAEL LEE HERTZBERG (x)  
LAURIE J. BARTILSON (x)

VS

GERALD ARMSTRONG, ET AL

Counsel for  
Defendant

FORD GREENE (x)

NO LEGAL FILE

## NATURE OF PROCEEDINGS:

disputed as to motivation, otherwise Undisputed; #25, not sufficiently disputed, Undisputed; #26, Undisputed; #27, disputed as to word "further", otherwise Undisputed; #28, Disputed, but not material; #29, Undisputed; #30, Undisputed that Marin Court granted a motion to Transfer; #31, Undisputed, except for term "irreparably harmed; #32, Undisputed; #33, Undisputed; #34, not sufficiently disputed, Undisputed; #35, Undisputed.

A One Year Statute of Limitations applies to an Abuse of Process cause of action. Code of Civil Procedure Section 340. Conduct allegedly occurring prior to July 22, 1991 is precluded by the one year Statute. Conduct alleged in paragraphs 13-24, 26 and 27, 29 and 30, 33-38, 40, 43-48 and para 57 are alleged to have occurred before 7/22/91 and are time barred.

The alleged conduct constituting "abuse of process" contained in paragraphs 49, 51, 52 and 55 does not constitute such abuse of process. That is, there are no allegations concerning the abuse of court process which constitutes a cause of action.

Communications with "some relation" to judicial proceedings have been absolutely immune from tort liability by the privilege codified as section 47(b). Albertson v. Raboff.

The alleged conduct of bringing suit, contained in paragraphs 53 and 54, is not sufficient to state a cause of action for "abuse of process. The filing or maintaining of a lawsuit cannot support a claims for abuse of process. The filing of a suit to enforce the Settlement Agreement cannot support claims for abuse of process.

The conduct alleged in para 50, ie, the filing of a complaint and the use of a declaration speaking of Cross-Complainant, does not constitute abuse of process and is privileged.

Paragraph 52 alleged conduct relating to declarations filed in a case in which the Cross-Complainant is not a party. Such conduct does not constitute abuse of process and is privileged.

SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES

Date: August 16, 1994

Honorable	DAVID A. HOROWITZ	, Judge	S. ROBLES	, Deputy Clerk
2b	C. AGUIRRE	, Deputy Sheriff	LINDA NISHIMOTO #9147	, Reporter
		, C.S.L.		, E/R Monitor

BC052395 (Parties and Counsel checked if present)

CHURCH OF SCIENTOLOGY, ETC	Counsel for Plaintiff	MICHAEL LEE HERTZBERG (x)
		LAURIE J. BARTILSON (x)

VS

GERALD ARMSTRONG, ET AL	Counsel for Defendant	FORD GREENE (x)
-------------------------	-----------------------	-----------------

NO LEGAL FILE

NATURE OF PROCEEDINGS:

MOTION FOR SUMMARY ADJUDICATION OF SECOND AND THIRD CAUSES OF ACTION OF THE CROSS-COMPLAINT OF GERALD ARMSTRONG, GRANTED.

David A. Horowitz

DAVID A. HOROWITZ, JUDGE

This is the order called for by Code of Civil Procedure Section 437c(f) and Code of Civil Procedure Section 437c(g). No other written order is required.

A copy of this order is sent this date via U.S. Mail addressed as follows:

MICHAEL LEE HERTZBERG  
 ATTORNEY AT LAW  
 740 BROADWAY 5TH FL  
 NEW YORK NY 10003

LAURIE J. BARTILSON  
 BOWLES & MOXON  
 6255 SUNSET BLVD STE 2000  
 HOLLYWOOD CA 90028

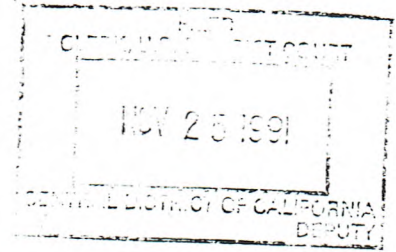
FORD GREENE  
 HUB LAW OFFICES  
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 SAN ANSELMO CA 94960



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Attorneys for Plaintiff  
CHURCH OF SCIENTOLOGY  
INTERNATIONAL



UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

CHURCH OF SCIENTOLOGY INTERNATIONAL )  
a California Non-Profit Religious )  
Organization )  
Plaintiff, )  
v. )  
STEVEN FISHMAN and UWE GEERTZ, )  
Defendants. )

Case No 91 6426 HLH  
(Tx)  
COMPLAINT FOR  
PERSONAL INJURY

COMPLAINT

Plaintiff, Church of Scientology International, a California non-profit religious corporation ("Church"), sues defendants Steven Fishman ("Fishman") and Uwe Geertz ("Geertz") and alleges:

I.

Nature of the Action

1. Through a nationally published magazine, defendants Fishman and Geertz have falsely accused plaintiff of directing Fishman to murder Geertz and then commit suicide. This is an action for damages directly resulting from defendants' malicious publication of such untrue and defamatory statements of and concerning plaintiff.



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II.

Jurisdiction and Venue

2. Plaintiff and defendants are citizens of different states. The Court has diversity jurisdiction of this lawsuit pursuant to 28 U.S.C. § 1332. The matter in controversy exceeds Fifty Thousand Dollars (\$50,000) plus interest and costs.

3. Venue is proper in this Court pursuant to section 1391(a) of Title 28 of the United States Code in that jurisdiction is founded exclusively on diversity of citizenship and the claim arose in this judicial district by virtue of the publication of defendants' false and defamatory remarks of and concerning the Scientology religion in this district, an event which Fishman and Geertz intended when they committed the defamation and which was foreseeable at that time.

III.

Parties

4. Plaintiff Church of Scientology International is a non-profit religious corporation incorporated under the laws of the State of California, having its principal offices in the State of California. Plaintiff Church is the Mother Church of the Scientology Religion. Scientology is an internationally recognized religion, consisting of hundreds of churches and missions engaged solely in religious, charitable, humanitarian and community-oriented endeavors. The religion seeks to enhance its adherents' spiritual knowledge of themselves and their Creator. The Churches and

1 Missions of Scientology provide spiritual training and  
2 counselling to their parishioners in accordance with the  
3 Scriptures of the religion. Scientology has been recognized  
4 as a bona fide religion by courts around the world. Its  
5 members take an active role in the affairs of their  
6 communities, and participate in numerous activities designed  
7 to better the society in which they live.

8 5. At all times herein mentioned, defendants Fishman  
9 and Geertz were and are residents of the State of Florida.

10 IV.

11 Cause of Action

12 6. Plaintiff repeats and realleges each and every  
13 allegation set forth in paragraphs 1 through 5 of this  
14 Complaint as if fully set forth herein.

15 7. In the course of an interview with one or more  
16 representatives of Time magazine regarding the religion of  
17 Scientology, including reporter Richard Behar ("Behar"),  
18 Fishman and Geertz made false, defamatory and malicious  
19 claims of and concerning plaintiff specified below, including  
20 that Fishman was a member of the Scientology religion, that  
21 the Church was involved in fraudulent scams for which Fishman  
22 is serving a five-year sentence in federal prison, and that  
23 when Fishman was arrested, the Church of Scientology ordered  
24 him to kill his psychiatrist Uwe Geertz and to commit  
25 suicide. The claims were clearly false because, among other  
26 things, defendant Fishman was not only convicted of mail  
27 fraud but also for obstruction of justice for having  
28 attempted to falsely frame the Church of Scientology for his

1 crimes. Fishman attempted to frame the Church by hiring a  
2 third party to pose as a Scientologist and to telephone the  
3 death threat to him, Fishman, while his telephone was  
4 consensually tapped by the FBI.

5 8. Fishman and Geertz made these statements to Behar  
6 with intent and knowledge that such statements were likely to  
7 be published in a nationally distributed magazine and that  
8 said publication would result in immediate and severe loss of  
9 reputation for plaintiff. Defendants' false claims were in  
10 fact published in Behar's malicious and condemning article on  
11 Scientology entitled "The Thriving Cult of Greed and Power"  
12 which appeared in the May 6, 1991 issue of Time (hereinafter  
13 the "article"). See pertinent excerption of the article,  
14 attached as Exhibit A.

15 9. The article refers to the activities of a former  
16 Scientologist, Fishman, who is "serving a five-year prison  
17 term in Florida" and to Fishman and "his long-time  
18 psychiatrist, Uwe Geertz, a prominent Florida hypnotist."

19 10. As the Mother Church, plaintiff is regarded by the  
20 public as the Scientology Church and the institution  
21 responsible for the activities of Scientologists in the  
22 United States.

23 11. Some members of the public who read the article  
24 concluded that Fishman and Geertz have been associated and  
25 involved with plaintiff.

26 12. Some members of the public who read the article  
27 knew that Fishman and Geertz have had disputes with  
28 plaintiff.

1           13. On information and belief, the article has  
2 accurately quoted and re-published the following false and  
3 defamatory statements made by defendants that were of and  
4 concerning plaintiff:

5           Occasionally a Scientologist's business antics  
6 land him in jail. Last August a former devotee  
7 named Steven Fishman began serving a five-year  
8 prison term in Florida. His crime: stealing blank  
9 stock-confirmation slips from his employer, a major  
10 brokerage house, to use as proof that he owned  
11 stock entitling him to join dozens of successful  
12 class-action lawsuits ... Scientology denies any  
13 tie to the Fishman scam, a claim strongly disputed  
14 by both Fishman and his long-time psychiatrist, Uwe  
15 Geertz, a prominent Florida hypnotist. Both men  
16 claim that when arrested, Fishman was ordered by  
17 the church to kill Geertz and then do an "EOC," or  
18 end of cycle, which is church jargon for suicide.

19           A copy of the article is attached as Exhibit A. The  
20 said May 6, 1991 issue of Time was broadly distributed in the  
21 geographic areas in which plaintiff conducts itself,  
22 including Los Angeles County, California and elsewhere.

23           14. In the article, by the use of the particular words  
24 set forth in paragraph 13 above, defendants conveyed the  
25 following false and defamatory implications and meanings of  
26 and concerning plaintiff:

27           A. Plaintiff was involved with Fishman in criminal  
28 theft;

1 B. Plaintiff was involved with Fishman in  
2 committing criminal fraud;

3 C. Plaintiff ordered Geertz to be murdered; and

4 D. Plaintiff ordered Fishman to commit suicide.

5 15. The false and defamatory implications and meanings  
6 of and concerning plaintiff, as alleged in paragraph 14, were  
7 also conveyed by the combination of individual statements  
8 contained in the article, including the juxtaposition of  
9 words and statements to each other, which, in the aggregate,  
10 produced the false and defamatory inferences from which said  
11 meanings and implications were conveyed.

12 16. Contrary to the aforesaid false and defamatory  
13 statements, implications and meanings,

14 A. Plaintiff was not involved in any way in  
15 Fishman's crimes or fraudulent activities;

16 B. Plaintiff never ordered, directed or otherwise  
17 communicated with Fishman to kill Geertz; and

18 C. Plaintiff never ordered, directed or otherwise  
19 communicated with Fishman to commit suicide.

20 17. Defendants knew and intended that the particular  
21 statements set forth in paragraph 13, and in the article as a  
22 whole, would convey each and every false and defamatory  
23 implication and meaning set forth in paragraph 14 of and  
24 concerning plaintiff and such false and defamatory meanings  
25 were conveyed by the particular statements set forth in  
26 paragraph 13, and by the inferences drawn from the article's  
27 statements in the aggregate.

28 18. The aforesaid false and defamatory statements,

1 implications and meanings were intended by defendants and  
2 understood by the reading public, to be of and concerning  
3 plaintiff.

4 19. The statements, implications and meanings alleged  
5 in paragraphs 13 and 14 were published by defendants with bad  
6 motives.

7 20. At the time of publication of the statements to  
8 Behar and subsequently to the general public in the article,  
9 defendants acted with actual malice in that defendant knew  
10 that the aforesaid defamatory statements, implications and  
11 meanings were false and/or published them or caused them to  
12 be published in reckless disregard of their truth or falsity  
13 and/or published them or caused them to be published without  
14 reasonable grounds for believing them to be true. Among  
15 other things, defendant knew and recklessly disregarded the  
16 fact that the Department of Justice and the Federal Bureau of  
17 Investigation had found that defendant Fishman had  
18 fraudulently and criminally attempted to frame Scientology  
19 for acts which said defendant claimed as having been  
20 committed by plaintiff, and that defendant Fishman himself  
21 had been convicted of obstruction of justice for the creation  
22 of such false charges against Scientology, after pleading  
23 guilty to those charges.

24 21. The aforesaid defamatory statements, implications  
25 and meanings were published or caused to be published by  
26 defendants intentionally having full knowledge of their truth  
27 or falsity.

28 22. The publication of the said defamatory statements,

1 implications and meanings was motivated by ill-will and  
2 defendants' desire to destroy the religious activities of the  
3 plaintiff.

4 23. Defendants were motivated to and did publish each  
5 of the said defamatory statements, implications and meanings  
6 for the purpose of discrediting plaintiff in its religious  
7 activities and its relationship with its parishioners,  
8 without regard to the falsity of the said publication.

9 24. By the aforesaid statements, implications and  
10 meanings, defendants have charged plaintiff with serious  
11 criminal acts and fraudulent conduct.

12 25. Prior to and at the time of the publication of said  
13 article, plaintiff had enjoyed a good reputation as an  
14 organization dedicated to the dissemination and promotion of  
15 the Scientology religion.

16 26. By reason of the aforesaid acts of defendants,  
17 plaintiff has sustained serious actual damages, including but  
18 not limited to the following:

- 19 A. Plaintiff's reputation has been grievously injured;  
20 B. Plaintiff's ability to conduct religious affairs to  
21 advance and disseminate the principles and practices of  
22 Scientology has been substantially impaired; and  
23 C. Plaintiff has incurred and will continue to incur  
24 expenses, in an amount which cannot at this time be  
25 fully determined, to correct defendants' defamatory  
26 statements.

27 WHEREFORE, plaintiff prays for entry of judgment  
28 providing for:

1           A. An award of compensatory damages in excess of  
2 \$50,000.00 against each defendant;

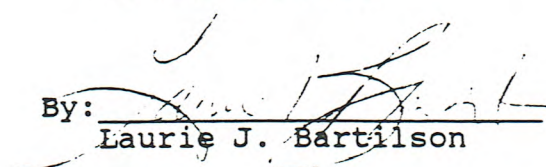
3           B. An award of punitive damages in the amount of no  
4 less than \$1,000,000.00 against each defendant; and

5           C. Such other and further relief as may be just and  
6 equitable.

7 Dated: November 25, 1991

Respectfully submitted,

8 BOWLES & MOXON

9  
10 By:   
Laurie J. Bartilson

11 Attorneys for Plaintiff  
12 CHURCH OF SCIENTOLOGY  
13 INTERNATIONAL  
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**SUNUNU: Headed for a Fall**

# TIME

# SCIENTOLOGY

## THE CULT OF GREED

**HOW THE GROWING  
DIANETICS EMPIRE  
SQUEEZES MILLIONS FROM  
BELIEVERS WORLDWIDE**

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#CIP9701L94#2 1585211  
AUG91  
LUCE PRESS CLIPPINGS  
AZ30REAX\*  
BOX 1701  
DEPT 14158  
MESA AZ 85211-1701  
PL00071  
4694



Former Surgeon General C. Everett Koop labeled the book "trash," and the Food and Drug Administration issued a paper in October that claims Steinman distorts his facts. "HealthMed is a gateway to Scientology, and Steinman's book is a sorting mechanism," says physician William Jarvis, who is head of the National Council Against Health Fraud. Steinman, who describes Hubbard favorably as a "researcher," denies any ties to the church and contends, "HealthMed has no affiliation that I know of with Scientology."

**DRUG TREATMENT.** Hubbard's purification treatments are the mainstay of Narconon, a Scientology-run chain of 33 alcohol and drug rehabilitation centers—some in prisons under the name "Criminon"—in 12 countries. Narconon, a classic vehicle for drawing addicts into the cult, now plans to open what it calls the world's largest treatment center, a 1,400-bed facility on an Indian reservation near Newkirk, Okla. (pop. 2,400). At a 1989 ceremony in Newkirk, the Association for Better Living and Education presented Narconon a check for \$200,000 and a study praising its work. The association turned out to be part of Scientology itself. Today the town is battling to keep out the cult, which has fought back through such tactics as sending private detectives to snoop on the mayor and the local newspaper publisher.

**FINANCIAL SCAMS.** Three Florida Scientologists, including Ronald Bernstein, a big contributor to the church's international "war chest," pleaded guilty in March to using their rare-coin dealership as a money laundry. Other notorious activities by Scientologists include making the shady Vancouver stock exchange even shadier (see box) and plotting to plant operatives in the World Bank, International Monetary Fund and Export-Import Bank of the U.S. The alleged purpose of this scheme: to gain inside information on which countries are going to be denied credit so that Scientology-linked traders can make illicit profits by taking "short" positions in those countries' currencies.

In the stock market the practice of "shorting" involves borrowing shares of publicly traded companies in the hope that the price will go down before the stocks must be bought on the market and returned to the lender. The Feshbach brothers of Palo Alto, Calif.—Kurt, Joseph and

Matthew—have become the leading short sellers in the U.S., with more than \$500 million under management. The Feshbachs command a staff of about 60 employees and claim to have earned better returns than the Dow Jones industrial average for most of the 1980s. And, they say, they owe it all to the teachings of Scientology, whose "war chest" has received more than \$1 million from the family.

The Feshbachs also embrace the church's tactics: the brothers are the terrorists of the stock exchanges. In congressional hearings in 1989, the heads of several

whether the Feshbachs received confidential information from FDA employees. The brothers seem aligned with Scientology's war on psychiatry and medicine: many of their targets are health and biotechnology firms. "Legitimate short selling performs a public service by deflating hyped stocks," says Robert Flaherty, the editor of *Equities* magazine and a harsh critic of the brothers. "But the Feshbachs have damaged scores of good start-ups."

Occasionally a Scientologist's business antics land him in jail. Last August a former devotee named Steven Fishman began serving a five-year prison term in Florida.

His crime: stealing blank stock-confirmation slips from his employer, a major brokerage house, to use as proof that he owned stock entitling him to join dozens of successful class-action lawsuits. Fishman made roughly \$1 million this way from 1983 to 1988 and spent as much as 30% of the loot on Scientology books and tapes.

Scientology denies any tie to the Fishman scam, a claim strongly disputed by both Fishman and his longtime psychiatrist, Uwe Geertz, a prominent Florida hypnotist. Both men claim that when arrested, Fishman was ordered by the church to kill Geertz and then do an "EOC," or end of cycle, which is church jargon for suicide.

**BOOK PUBLISHING.** Scientology mischiefmaking has even moved to the book industry. Since 1985 at least a dozen Hubbard books, printed by a church company, have made best-seller lists. They range from a 5,000-page sci-fi decology (*Black Genesis, The Enemy Within, An Alien Affair*) to the 40-year-old *Dianetics*. In 1988 the trade publication *Publishers Weekly*

awarded the dead author a plaque commemorating the appearance of *Dianetics* on its best-seller list for 100 consecutive weeks.

Critics pan most of Hubbard's books as unreadable, while defectors claim that church insiders are sometimes the real authors. Even so, Scientology has sent out armies of its followers to buy the group's books at such major chains as B. Dalton's and Waldenbooks to sustain the illusion of a best-selling author. A former Dalton's manager says that some books arrived in his store with the chain's price stickers already on them, suggesting that copies are being recycled. Scientology claims that sales of Hubbard books now top 90 million worldwide. The scheme, set up to gain con-



**THE ROWE FAMILY SPENT \$23,000 on Dianetics treatment. Like many dentists, Glover Rowe was drawn in by Sterling Management, which does not publicize its ties to Scientology.**

companies claimed that Feshbach operatives have spread false information to government agencies and posed in various guises—such as a Securities and Exchange Commission official—in an effort to discredit their companies and drive the stocks down. Michael Russell, who ran a chain of business journals, testified that a Feshbach employee called his bankers and interfered with his loans. Sometimes the Feshbachs send private detectives to dig up dirt on firms, which is then shared with business reporters, brokers and fund managers.

The Feshbachs, who wear jackets bearing the slogan "stock busters," insist they run a clean shop. But as part of a current probe into possible insider stock trading, federal officials are reportedly investigat-